

REFERENCE TITLE: certified public accountants

State of Arizona  
Senate  
Fifty-third Legislature  
Second Regular Session  
2018

## **SB 1443**

Introduced by  
Senator Yee

### AN ACT

AMENDING SECTIONS 9-481, 29-103, 32-701, 32-703, 32-725, 32-729, 32-730, 32-730.01, 32-730.02, 32-730.03 AND 32-730.04, ARIZONA REVISED STATUTES; PROVIDING FOR TRANSFERRING AND RENUMBERING; AMENDING SECTIONS 32-730.05 AND 32-730.06, ARIZONA REVISED STATUTES, AS TRANSFERRED AND RENUMBERED; AMENDING SECTION 32-731, ARIZONA REVISED STATUTES; AMENDING TITLE 32, CHAPTER 6, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 32-732; AMENDING SECTIONS 32-741, 32-741.01, 32-741.02, 32-742, 32-745 AND 32-747, ARIZONA REVISED STATUTES; REPEALING SECTION 32-747.01, ARIZONA REVISED STATUTES; AMENDING TITLE 32, CHAPTER 6, ARTICLE 3, ARIZONA REVISED STATUTES, BY ADDING SECTION 32-748; AMENDING SECTIONS 32-749, 41-725 AND 41-1279.07, ARIZONA REVISED STATUTES; RELATING TO CERTIFIED PUBLIC ACCOUNTANTS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 9-481, Arizona Revised Statutes, is amended to  
3 read:

4 9-481. Audits of cities and towns; posting; budget

5 A. The governing body of each incorporated city or town shall cause  
6 an audit to be made by a certified public accountant ~~or public accountant~~  
7 who is currently ~~licensed~~ CERTIFIED by the Arizona state board of  
8 accountancy or who has a limited reciprocity privilege pursuant to section  
9 32-725 and who is not an employee of the city or town. Audits shall be  
10 made for each fiscal year for all incorporated cities. Audits shall be  
11 made at least once for every two fiscal years for all incorporated towns,  
12 and the audit shall include financial transactions during both fiscal  
13 years.

14 B. The audit and the audit report shall include all of the accounts  
15 and funds of the city or town, including operating, special, utility,  
16 debt, trust and pension, and all other money or property for which the  
17 city or town, or any department or officer of the city or town, is  
18 responsible either directly or indirectly. The audits shall be made in  
19 accordance with generally accepted auditing standards. The consequent  
20 audit report shall contain financial statements that are in conformity  
21 with generally accepted municipal accounting principles and shall set  
22 forth the financial position and results of the operations for each fund  
23 and account of the city or town. The audit report shall also include the  
24 following:

25 1. The professional opinion of the accountant or accountants with  
26 respect to the financial statements or, if an opinion cannot be expressed,  
27 a declaration of the reasons an opinion cannot be expressed.

28 2. A determination as to whether highway user revenue fund monies  
29 received by the city or town pursuant to title 28, chapter 18, article 2  
30 and any other dedicated state transportation revenues received by the city  
31 or town are being used solely for the authorized transportation purposes.

32 C. The audit shall begin as soon as possible after the close of the  
33 fiscal year, although interim auditing may be performed during the year or  
34 years under audit. The audit shall be completed and the final audit  
35 report shall be submitted within six months after the close of the fiscal  
36 year or years audited.

37 D. At least three copies of the audit report shall be signed by the  
38 auditor and filed with the city or town. The city or town shall  
39 immediately do the following:

40 1. Make one copy of the report a public record that is open to the  
41 public for inspection.

42 2. File one copy of the report with the auditor general pursuant to  
43 section 41-1279.07, subsection C.

44 3. Submit one copy of the report to the secretary of state.

1 E. The financial statements required to be filed with the auditor  
2 general pursuant to section 41-1279.07, including the audit report, must  
3 be posted in a prominent location on the official website of the city or  
4 town no later than seven business days after the date of filing the  
5 financial statements with the auditor general. The financial statements  
6 must be retained and accessible in a prominent location on the official  
7 website for at least sixty months. If the financial statements are not  
8 filed pursuant to section 41-1279.07, the form as prescribed by subsection  
9 F of this section shall be posted on the website of the city or town in  
10 place of the financial statements until the financial statements are  
11 filed.

12 F. If the financial statements for a city or town are not completed  
13 and filed as prescribed by section 41-1279.07 on or before the adoption of  
14 the city or town budget in the subsequent fiscal year, the governing body  
15 shall include a form, as prescribed by the auditor general, in the  
16 published budget in the subsequent fiscal year pursuant to sections  
17 42-17103 and 42-17105 stating that the financial statements required to be  
18 filed with the auditor general pursuant to section 41-1279.07 are pending,  
19 the reasons for the delay and the estimated date of completion.

20 G. If the governing body of a city or town is required to complete  
21 the form as prescribed by subsection F of this section, the governing body  
22 shall send a copy of the form to the auditor general, the speaker of the  
23 house of representatives and the president of the senate.

24 Sec. 2. Section 29-103, Arizona Revised Statutes, is amended to  
25 read:

26 29-103. Partnerships not required to record certificate

27 A. A partnership transacting business under a firm name or style  
28 which contains the surnames of all persons interested as partners, or one  
29 formed for the practice of law, is not required to record a certificate as  
30 required by section 29-102.

31 B. A commercial or banking partnership established and transacting  
32 business without the state under a name which is fictitious or does not  
33 show the names of the persons interested as partners may, without  
34 recording a certificate as required by section 29-102, use in this state  
35 the partnership name used by it without the state.

36 C. A domestic limited partnership which has filed or recorded a  
37 certificate of limited partnership under applicable laws may transact  
38 business under the name set forth in such certificate without recording a  
39 certificate as required by section 29-102.

40 D. A foreign limited partnership which has registered pursuant to  
41 section 29-349 may transact business in this state under the name set  
42 forth in such registration without recording a certificate as required by  
43 section 29-102.

44 E. A partnership **THAT IS** engaged in this state in the practice of  
45 public accounting as certified public accountants ~~or public accountants,~~

1 ~~which~~ AND THAT complies with section 32-731,~~—~~ is not required to record a  
2 certificate as required by section 29-102.

3 F. A domestic limited liability partnership that is registered  
4 pursuant to section ~~29-244 or~~ 29-1101 may transact business in this state  
5 under the name set forth in its registration without recording a  
6 certificate as required by section 29-102.

7 G. A foreign limited liability partnership that is registered  
8 pursuant to section ~~29-248 or~~ 29-1106 may transact business in this state  
9 under the name set forth in its registration without recording a  
10 certificate as required by section 29-102.

11 Sec. 3. Section 32-701, Arizona Revised Statutes, is amended to  
12 read:

13 32-701. Definitions

14 In this chapter, unless the context otherwise requires:

15 1. "Accounting services" means services that are commonly and  
16 historically performed by accountants, including recording or summarizing  
17 financial transactions, bookkeeping, analyzing or verifying financial  
18 information, ~~auditing, reviewing or compiling financial statements,~~  
19 reporting financial results, financial planning,~~—~~ OR providing ~~attestation~~  
20 ~~or~~ ATTEST SERVICES, tax SERVICES or consulting services.

21 2. "Accredited institution" means any public or private regionally  
22 or nationally accredited college or university that is accredited by an  
23 organization recognized by the council for higher education accreditation  
24 or its successor agency.

25 3. "Attest services" means the following services ~~that are rendered~~  
26 TO BE PERFORMED by the holder of a certificate issued by the board:

27 (a) Audits or other engagements to be performed in accordance with  
28 the statements on auditing standards adopted by the American institute of  
29 certified public accountants.

30 (b) Reviews of financial statements to be performed in accordance  
31 with the statements on standards for accounting and review services  
32 adopted by the American institute of certified public accountants.

33 (c) Any examination of prospective financial information to be  
34 performed in accordance with the statements on standards for attestation  
35 engagements adopted by the American institute of certified public  
36 accountants.

37 (d) Any engagement to be performed in accordance with the standards  
38 of the public company accounting oversight board or its successor.

39 (e) Any examination, review or agreed on procedure engagement to be  
40 performed in accordance with the statements on standards for attestation  
41 engagements adopted by the American institute of certified public  
42 accountants, other than an examination described in subdivision (c) of  
43 this paragraph.

44 ~~4. "Attestation" or "attest function" means the issuance by a~~  
45 ~~registrant of a written communication that expresses a conclusion about~~

1 ~~the reliability of a written assertion that is the responsibility of~~  
2 ~~another party.~~

3 ~~5.~~ 4. "Board" means the Arizona state board of accountancy  
4 established by section 32-702.

5 5. "BUSINESS ORGANIZATION" MEANS A PARTNERSHIP, PROFESSIONAL  
6 CORPORATION, PROFESSIONAL LIMITED LIABILITY COMPANY, LIMITED LIABILITY  
7 COMPANY OR LIMITED LIABILITY PARTNERSHIP OR ANY OTHER ENTITY THAT IS  
8 RECOGNIZED BY THE BOARD AND THAT IS ESTABLISHED UNDER THE LAWS OF ANY  
9 STATE OR FOREIGN COUNTRY.

10 6. "Certified public accountant" means an individual who has been  
11 issued a certificate of authority by the board to practice as a certified  
12 public accountant or who meets the limited reciprocity privilege  
13 requirements pursuant to section 32-725.

14 7. "Client" means a person or entity, other than one's employer,  
15 for whom accounting services are provided.

16 8. "Consulting services" includes management advisory services,  
17 litigation support services, valuation services and other services that  
18 require the use of technical skills, education, observation, experience  
19 and knowledge to develop an analytical approach to process and to present  
20 findings, conclusions or recommendations.

21 9. "Conviction" means a judgment of conviction by any state or  
22 federal court of competent jurisdiction in a criminal cause, regardless of  
23 whether an appeal is pending or could be taken, and includes any judgment  
24 or order based on a plea of no contest.

25 10. "CPA DESIGNATION" MEANS THE TITLE "CERTIFIED PUBLIC ACCOUNTANT"  
26 OR ANY ABBREVIATION OR GRAMMATICAL DERIVATIVE OF THE TERM "CERTIFIED  
27 PUBLIC ACCOUNTANT".

28 ~~10.~~ 11. "Disciplinary action" means any other regulatory sanctions  
29 imposed by the board in combination with, or as an alternative to,  
30 RELINQUISHMENT, revocation or suspension of a certificate or registration,  
31 including the imposition of:

32 (a) An administrative penalty in an amount not to exceed two  
33 thousand dollars for each violation of this chapter or rules adopted  
34 pursuant to this chapter.

35 (b) Restrictions on the scope of the registrant's ~~accounting~~  
36 ~~practice, including, without limitation, restriction of audit or attest~~  
37 ~~function practice, restriction of tax practice or restriction of~~  
38 ~~consulting services~~ OF ACCOUNTING.

39 (c) Pre-issuance and post-issuance peer review.

40 (d) Professional education requirements.

41 (e) A decree of censure.

42 (f) Probation requirements best adapted to protect the public  
43 welfare.

44 (g) Reimbursement of the board's costs of investigations and  
45 proceedings initiated under this chapter, including attorney fees.

1 (h) A requirement for restitution payments to accounting services  
2 clients or to other persons suffering economic loss resulting from  
3 violations of this chapter or rules adopted pursuant to this chapter.

4 ~~11.~~ 12. "Employer" means a person or entity that hires an  
5 individual to perform a service and that directs and controls the manner  
6 in which the service is performed.

7 ~~12.~~ 13. "Federal securities laws" means the securities act of 1933,  
8 the securities exchange act of 1934, the public utility holding company  
9 act of 1935 and the investment company act of 1940, as amended.

10 ~~13.~~ 14. "Financial statements":

11 (a) Means statements and footnotes related to statements that  
12 purport to show a financial position or changes in a financial position in  
13 conformity with generally accepted accounting principles or other  
14 comprehensive basis of accounting.

15 (b) Includes balance sheets, statements of income, statements of  
16 retained earnings, statements of cash flows, statements of changes in ~~an~~  
17 ~~owner's~~ equity and other commonly used or recognized summaries of  
18 financial information.

19 (c) Does not include tax returns or information contained in tax  
20 returns.

21 ~~14.~~ 15. "Firm" means a business organization, ~~that is engaged in~~  
22 ~~the practice of public accounting and that is established under the laws~~  
23 ~~of any state or foreign country, including a sole practitioner,~~  
24 ~~partnership, professional corporation, professional limited liability~~  
25 ~~company, limited liability company, limited liability partnership or any~~  
26 ~~other entity recognized by the board that has met the applicable~~  
27 ~~requirements contained in~~ A SOLE PROPRIETORSHIP OR AN INDIVIDUAL WHO IS  
28 REGISTERED PURSUANT TO section 32-731.

29 ~~15.~~ 16. "Good cause" means factors that temporarily prevent a  
30 registrant from satisfying a particular requirement in a specific instance  
31 as determined by the board and may include:

- 32 (a) A disability.
- 33 (b) An illness.
- 34 (c) A physical or mental condition.
- 35 (d) Military service.
- 36 (e) Financial hardship.
- 37 (f) A natural disaster.
- 38 (g) Any condition or circumstance that the board deems relevant.

39 ~~16.~~ 17. "Jurisdiction" means, for the purposes of examination,  
40 certification, FIRM REGISTRATION or limited reciprocity privilege, the  
41 fifty states of the United States, the District of Columbia, the United  
42 States Virgin Islands, Guam, the Commonwealth of the northern Mariana  
43 Islands or the Commonwealth of Puerto Rico.

44 ~~17.~~ 18. "Letter of concern" means an advisory letter to notify a  
45 registrant that, while the evidence does not warrant disciplinary action,

1 the board believes that the registrant should modify or eliminate certain  
2 practices and that continuation of the activities that led to the evidence  
3 being submitted to the board may result in board action against the  
4 registrant. A letter of concern is not a disciplinary action.

5 ~~18:~~ 19. "Limited reciprocity privilege" means the permission to  
6 practice as a certified public accountant in this state pursuant to  
7 section 32-725 for an individual whose principal place of business is  
8 outside of this state.

9 ~~19:~~ 20. "Management advisory services" means advisory services  
10 consisting of the development of findings, conclusions or recommendations  
11 for the recipient's consideration and decision making.

12 21. "OFFICE" FOR THE PURPOSES OF FIRM REGISTRATION, LIMITED  
13 RECIPROcity PRIVILEGE AND FEES, MEANS ANY PHYSICAL LOCATION USED IN THE  
14 PRACTICE OF ACCOUNTING IN THIS STATE AND THAT IS OWNED, LEASED, LICENSED  
15 FOR USE OR MAINTAINED BY THE FIRM OR SOMEONE UNDER THE FIRM'S AUTHORITY.

16 ~~20:~~ 22. "Practice of accounting" means providing accounting  
17 services for a client or an employer.

18 ~~21. "Practice of public accounting" means providing accounting  
19 services for a client but does not include providing accounting services,  
20 other than attest services or compilation services, for a nonprofit entity  
21 or a family member without an expectation of and without receiving  
22 compensation.~~

23 ~~22. "Principal place of business" means the office designated by the  
24 individual or firm as the principal location for the practice of  
25 accounting.~~

26 ~~23. "Public accountant" means an individual who has been issued a  
27 certificate of authority by the board to practice as a public accountant.~~

28 ~~24:~~ 23. "Registrant" means any certified public accountant, ~~public  
29 accountant~~ or firm that is registered with the board.

30 ~~25:~~ 24. "Related courses" means:

- 31 (a) Business administration.
- 32 (b) Statistics.
- 33 (c) Computer science, information systems or data processing.
- 34 (d) Economics.
- 35 (e) Finance.
- 36 (f) Management.
- 37 (g) Business law.
- 38 (h) College algebra or more advanced mathematics.
- 39 (i) Advanced written communication.
- 40 (j) Advanced oral communication.
- 41 (k) GENERAL ethics.
- 42 (l) Marketing.
- 43 (m) Other courses closely related to the subject of accounting and  
44 satisfactory to the board.

45 25. "SOLE PROPRIETOR" MEANS THE OWNER OF A SOLE PROPRIETORSHIP.

1           26. "SOLE PROPRIETORSHIP" MEANS A BUSINESS THAT IS OWNED BY ONE  
2 INDIVIDUAL AND THAT DOES NOT HAVE A LEGAL DISTINCTION BETWEEN THE OWNER  
3 AND THE BUSINESS.

4           Sec. 4. Section 32-703, Arizona Revised Statutes, is amended to  
5 read:

6           32-703. Powers and duties; rules; executive director;  
7 advisory committees and individuals

8           A. The primary duty of the board is to protect the public from  
9 unlawful, incompetent, unqualified or unprofessional certified public  
10 accountants ~~or public accountants~~ through certification, regulation and  
11 rehabilitation.

12           B. The board may:

13           1. Investigate complaints filed with the board or on its own motion  
14 to determine whether a certified public accountant ~~or public accountant~~  
15 has engaged in conduct in violation of this chapter or rules adopted  
16 pursuant to this chapter.

17           2. Establish and maintain high standards of competence,  
18 independence and integrity in the practice of accounting by a certified  
19 public accountant ~~or by a public accountant~~ as required by generally  
20 accepted auditing standards and generally accepted accounting principles  
21 and, in the case of publicly held corporations or enterprises offering  
22 securities for sale, in accordance with state or federal securities agency  
23 accounting requirements.

24           3. Establish reporting requirements that require registrants to  
25 report:

26           (a) The imposition of any discipline on the right to practice  
27 before the federal securities and exchange commission, the internal  
28 revenue service, any state board of accountancy, other government agencies  
29 or the public company accounting oversight board.

30           (b) Any criminal conviction, any civil judgment involving  
31 negligence in the practice of accounting by a certified public accountant  
32 ~~or by a public accountant~~ and any judgment or order as described in  
33 section 32-741, subsection A, paragraphs 7 and 8.

34           4. Establish basic requirements for continuing professional  
35 education of certified public accountants ~~and public accountants~~, except  
36 that the requirements shall not exceed eighty hours in any registration  
37 renewal period.

38           5. Adopt procedures concerning disciplinary actions, administrative  
39 hearings and consent decisions.

40           6. Issue to qualified applicants certificates executed for and on  
41 behalf of the board by the signatures of the president and secretary of  
42 the board.

43           7. Adopt procedures and rules to administer this chapter.



1           8. Require peer review pursuant to rules adopted by the board on a  
2 general and random basis of the professional work of a registrant engaged  
3 in the practice of accounting.

4           9. Subject to title 41, chapter 4, article 4, employ an executive  
5 director and other personnel that it considers necessary to administer and  
6 enforce this chapter.

7           10. Appoint accounting and auditing, tax, peer review, law,  
8 certification, continuing professional education or other committees or  
9 individuals as it considers necessary to advise or assist the board OR THE  
10 BOARD'S EXECUTIVE DIRECTOR in administering and enforcing this chapter.  
11 These committees and individuals serve at the pleasure of the board.

12           11. Take all action that is necessary and proper to effectuate the  
13 purposes of this chapter.

14           12. Sue and be sued in its official name as an agency of this state.

15           13. Adopt and amend rules concerning the definition of terms, the  
16 orderly conduct of the board's affairs and the effective administration of  
17 this chapter.

18           14. DELEGATE TO THE EXECUTIVE DIRECTOR THE AUTHORITY TO:

19           (a) APPROVE AN APPLICANT TO TAKE THE UNIFORM CERTIFIED PUBLIC  
20 ACCOUNTANT EXAMINATION PURSUANT TO SECTION 32-723.

21           (b) ISSUE A CERTIFICATE OF CERTIFIED PUBLIC ACCOUNTANT PURSUANT TO  
22 SECTION 32-721.

23           (c) APPROVE AN APPLICATION FOR FIRM REGISTRATION PURSUANT TO SECTION  
24 32-731.

25           (d) APPROVE A REGISTRANT'S NAME CHANGE AND REISSUE A CERTIFICATE OF  
26 CERTIFIED PUBLIC ACCOUNTANT DUE TO THE NAME CHANGE.

27           (e) APPROVE A REGISTRANT'S CANCELLATION REQUEST PURSUANT TO SECTION  
28 32-730.02.

29           (f) APPROVE A REQUEST FOR RETIRED STATUS PURSUANT TO SECTION  
30 32-730.04.

31           (g) APPROVE REACTIVATION FROM INACTIVE STATUS OR RETIRED STATUS.

32           (h) APPROVE COMPLIANCE WITH PEER REVIEW REQUIREMENTS.

33           (i) APPROVE COMPLIANCE WITH CONTINUING PROFESSIONAL EDUCATION  
34 AUDITS.

35           (j) APPROVE CONTINUING PROFESSIONAL EDUCATION COMPLIANCE WITH  
36 DECISIONS AND ORDERS.

37           (k) TERMINATE DECISIONS AND ORDERS BASED ON A REGISTRANT'S  
38 SUCCESSFUL COMPLETION OF ALL ORDER REQUIREMENTS.

39           C. The board or an authorized agent of the board may:

40           1. Issue subpoenas to compel the attendance of witnesses or the  
41 production of documents. If a subpoena is disobeyed, the board may invoke  
42 the aid of any court in requiring the attendance and testimony of  
43 witnesses and the production of documents.

44           2. Administer oaths and take testimony.

1           3. Cooperate with the appropriate authorities in other  
2 jurisdictions in investigation and enforcement concerning violations of  
3 this chapter and comparable statutes of other jurisdictions.

4           4. Receive evidence concerning all matters within the scope of this  
5 chapter.

6           Sec. 5. Section 32-725, Arizona Revised Statutes, is amended to  
7 read:

8           32-725. Limited reciprocity privilege; qualifications; definition

9           A. The limited reciprocity privilege may be exercised by an  
10 individual who is not a resident of this state and who meets the  
11 requirements of this section.

12           B. To qualify to exercise the limited reciprocity privilege, an  
13 individual must:

14           1. Have a principal place of business that is not in this state.

15           2. NOT HAVE OR REPRESENT TO HAVE AN OFFICE IN THIS STATE.

16           ~~3.~~ 3. Not be the subject of suspension or revocation of a  
17 certificate as provided by section 32-741 or relinquishment of a  
18 certificate as provided by section ~~32-741.04~~ 32-730.06.

19           ~~4.~~ 4. Hold a valid registration, certificate or license as a  
20 certified public accountant issued by another jurisdiction and either of  
21 the following ~~must apply~~ APPLIES:

22           (a) The other jurisdiction requires as a condition of licensure  
23 that an individual has all of the following:

24           (i) At least one hundred fifty semester hours of college education,  
25 including a baccalaureate degree or a higher degree that is conferred by  
26 an accredited institution or a college or university that maintains  
27 standards that are comparable to those of an accredited institution.

28           (ii) A passing grade on the uniform certified public accountant  
29 examination.

30           (iii) At least one year of experience in the practice of accounting  
31 that has been verified.

32           (b) The individual meets the qualifications prescribed in section  
33 32-721, subsection C.

34           C. An individual qualifying for limited reciprocity privilege under  
35 this section is considered to have qualifications that are substantially  
36 equivalent to the requirements prescribed pursuant to this chapter and has  
37 all of the privileges of registrants, certificate holders or licensees in  
38 this state without obtaining a registration, certificate or license under  
39 this chapter.

40           D. An individual qualifying for limited reciprocity privilege under  
41 this section may use the ~~title "CPA" or "certified public accountant"~~ CPA  
42 DESIGNATION and may offer or practice accounting in person or by mail,  
43 telephone or electronic means. ~~No~~ A notice, fee or other submission is  
44 NOT required. The individual is subject to the requirements prescribed in  
45 subsection E of this section.

1 E. Each individual who holds a registration, certificate or license  
2 issued by another jurisdiction and who exercises the limited reciprocity  
3 privilege and each partnership, corporation or other entity engaging in  
4 the practice of accounting as provided by this section, as a condition of  
5 exercising the privilege provided by this section:

6 1. Shall:

7 (a) Comply with article 3 of this chapter and rules adopted  
8 pursuant to article 3 of this chapter. In any investigation or other  
9 proceedings conducted pursuant to article 3 of this chapter, an individual  
10 claiming permission to practice as a certified public accountant in this  
11 state under the limited reciprocity privilege has the burden of  
12 demonstrating that the applicable requirements of subsection B of this  
13 section have been satisfied.

14 (b) Cease the offering or practicing of accounting in person or by  
15 mail, telephone or electronic means in this state if the individual no  
16 longer satisfies the requirements of subsection B of this section or the  
17 partnership, corporation or other entity no longer satisfies the  
18 requirements of subsection G of this section.

19 2. Is subject to:

20 (a) The personal and subject matter jurisdiction of the board and  
21 the power of the board to investigate complaints and take disciplinary  
22 action.

23 (b) Service by either of the following:

24 (i) The appointment of the state board that issued the  
25 registration, certificate or license to the individual as agent, on whom  
26 process may be served in any action or proceeding against the person by  
27 the board.

28 (ii) Directly on the person.

29 F. Any individual who holds a valid registration, certificate or  
30 license as a certified public accountant issued by another jurisdiction or  
31 a foreign country, whose principal place of business is not in this state  
32 and who does not otherwise qualify under this section for limited  
33 reciprocity privilege may enter this state and provide services if the  
34 services are limited to the following:

- 35 1. Expert witness services.
- 36 2. Teaching or lecturing.
- 37 3. Other services as determined by the board.

38 G. A partnership, corporation or other entity formed under the laws  
39 of another jurisdiction relating to the practice of accounting in that  
40 jurisdiction may use the ~~title "certified public accountant" or "CPA"~~ CPA  
41 DESIGNATION in this state and may engage in the practice of accounting in  
42 this state, including the provision of attest services, without having to  
43 register as a firm if all of the following apply:

1           1. The partnership, corporation or other entity is owned by or  
2 employs an individual who is a limited reciprocity privilege holder  
3 pursuant to this section.

4           2. The partnership, corporation or other entity is in good standing  
5 in its principal place of business under the laws of that jurisdiction  
6 relating to the practice of accounting.

7           3. The principal place of business of the limited reciprocity  
8 privilege holder is a recognized place of business for the practice of  
9 accounting by the partnership, corporation or other entity.

10          4. The partnership, corporation or other entity does not have an  
11 office in this state and does not represent that it has an office in this  
12 state.

13          5. The partnership, corporation or other entity holds an active  
14 permit or registration as a certified public accountant firm in another  
15 jurisdiction.

16          6. The practice of accounting is performed by or under the direct  
17 supervision of an individual who is qualified for the limited reciprocity  
18 privilege under this section.

19          H. FOR THE PURPOSES OF THIS SECTION, "PRINCIPAL PLACE OF BUSINESS"  
20 MEANS THE OFFICE DESIGNATED BY THE INDIVIDUAL OR FIRM AS THE PRINCIPAL  
21 LOCATION FOR THE INDIVIDUAL'S OR FIRM'S PRACTICE OF ACCOUNTING.

22          Sec. 6. Section 32-729, Arizona Revised Statutes, is amended to  
23 read:

24           32-729. Fees

25           The board shall establish and collect:

26           1. A uniform fee from an applicant for each initial examination and  
27 reexamination application pursuant to section 32-723 to cover reasonable  
28 costs of reviewing the applicant's eligibility to take the examination and  
29 facilitating the applicant to take the examination until the applicant  
30 passes all sections.

31           2. A uniform fee from each applicant for a certificate to be issued  
32 pursuant to section 32-721.

33           3. A uniform registration fee of at least one hundred and not more  
34 than three hundred dollars from each applicant for registration as a  
35 certified public accountant ~~or public accountant~~ pursuant to section  
36 32-730. The registration fee is due during the month of the anniversary of  
37 the registrant's birth. Registrants for less than two years shall be  
38 charged on a pro rata basis for the remainder of the registration period.  
39 The board shall establish and collect a late fee, if applicable, of not  
40 more than one hundred dollars.

41           4. A uniform registration fee of at least one hundred dollars and  
42 not more than three hundred dollars from each applicant for registration  
43 as a firm pursuant to section 32-730. The registration fee is due during  
44 the month of the anniversary of the effective date of the firm's  
45 formation. The board shall establish and collect a late fee, if

1 applicable, of not more than one hundred dollars. The board shall not  
2 charge a fee for the registration of additional offices of the same firm  
3 or for the registration of a sole ~~practitioner~~ PROPRIETORSHIP OR AN  
4 INDIVIDUAL WHO IS REQUIRED TO REGISTER AS A FIRM PURSUANT TO SECTION  
5 32-731.

6 5. A uniform application fee in an amount to be determined by the  
7 board to reinstate ~~a certificate~~ pursuant to this chapter.

8 6. A uniform registration fee of fifty dollars for retired status  
9 registration as described in section 32-730.04. The board shall establish  
10 and collect a late fee, if applicable, and it is the intent of the  
11 legislature that the fee ~~is~~ BE not more than one hundred dollars.

12 Sec. 7. Section 32-730, Arizona Revised Statutes, is amended to  
13 read:

14 32-730. Biennial registration; continuing professional  
15 education

16 A. Except as provided in subsection B of this section and in  
17 section 32-4301, the board shall require every certified public  
18 accountant, ~~public accountant~~ and firm to register once every two years  
19 with the board and pay a registration fee pursuant to section 32-729.

20 B. The registration fee for certified public accountants ~~and public~~  
21 ~~accountants~~ may be reduced or waived by the board for registrants with a  
22 disability to a degree precluding the continuance of their practice for  
23 six months or more prior to the due date of any renewal fee.

24 C. At the time of registration, every certified public accountant  
25 ~~and public accountant~~, as a prerequisite to biennial registration, shall  
26 submit to the board satisfactory proof in a manner prescribed by the board  
27 that the registrant has completed the continuing professional education  
28 requirements established by the board. The board may grant a full or  
29 partial exemption from continuing professional education requirements or  
30 an extension of time to complete the continuing professional education  
31 requirements for registrants on a demonstration of good cause.

32 Sec. 8. Section 32-730.01, Arizona Revised Statutes, is amended to  
33 read:

34 32-730.01. Inactive status; exception

35 A. A registrant who ~~is not actively engaged in the practice of~~  
36 ~~accounting in this state for a fee or other compensation~~ MEETS ALL OF THE  
37 FOLLOWING REQUIREMENTS may request that the registrant's certificate be  
38 placed on inactive status: ~~by meeting the requirements for inactive~~  
39 ~~status and completing~~

- 40 1. COMPLETES the forms prescribed by the board.
- 41 2. DOES NOT PROVIDE ATTEST SERVICES IN THIS STATE.
- 42 3. DOES NOT PROVIDE ACCOUNTING SERVICES FOR A FEE OR OTHER  
43 COMPENSATION IN THIS STATE.

1           4. ~~A registrant whose~~ DOES NOT HAVE A certificate ~~is~~ under a  
2 disciplinary order by the board, except for suspension for nonregistration  
3 pursuant to section 32-741.01. ~~, or against whom~~

4           5. DOES NOT HAVE disciplinary proceedings ~~have been~~ initiated ~~may~~  
5 ~~not place or maintain a certificate on inactive status~~ AGAINST THE  
6 REGISTRANT.

7           B. A registrant whose certificate is on inactive status:

8           1. Shall continue to register once every two years with the board  
9 and pay fifty percent of the registration fee and one hundred percent of  
10 any applicable late fee pursuant to section 32-729.

11           2. Shall not ~~engage in the practice of accounting in this state for~~  
12 ~~a fee or other compensation while the registrant's certificate remains on~~  
13 ~~inactive status.~~ DO ANY OF THE FOLLOWING:

14           (a) PROVIDE ATTEST SERVICES IN THIS STATE.

15           (b) PROVIDE ACCOUNTING SERVICES FOR A FEE OR OTHER COMPENSATION IN  
16 THIS STATE.

17           ~~3. (c) In this state shall not~~ Assume or use the ~~title or~~ CPA  
18 designation of ~~"certified public accountant" or "public accountant" or the~~  
19 ~~abbreviation "C.P.A.", "CPA", "P.A." or "PA" while the registrant's~~  
20 ~~certificate remains on inactive status~~ IN THIS STATE unless accompanied by  
21 the word "inactive".

22           ~~C. A registrant may request that the registrant's certificate be~~  
23 ~~reactivated if the certificate has been inactive for six years or less and~~  
24 ~~if the registrant meets all of the following requirements:~~

25           ~~1. Files an application for renewal on the form prescribed by the~~  
26 ~~board and pays the registration fee pursuant to section 32-729.~~

27           ~~2. Submits proof that the registrant has satisfied continuing~~  
28 ~~professional education requirements as prescribed by the board.~~

29           ~~3. Affirms that the registrant has not engaged in any conduct that~~  
30 ~~would constitute grounds for revocation or suspension of a certificate~~  
31 ~~pursuant to section 32-741.~~

32           ~~D. C.~~ C. A registrant may reactivate an inactive certificate ~~pursuant~~  
33 ~~to subsection C of this section~~ only once.

34           ~~E. D.~~ D. A certificate expires if it has been inactive for more than  
35 six years.

36           ~~F. E.~~ E. Subsections ~~D- C~~ C and ~~E- D~~ D of this section do not apply if  
37 inactive status is approved by the board for good cause based on a  
38 registrant's disability.

39           Sec. 9. Section 32-730.02, Arizona Revised Statutes, is amended to  
40 read:

41           32-730.02. Canceled status

42           A. A registrant may cancel a certificate or registration by  
43 submitting a written request on a form prescribed by the board. A  
44 registrant whose certificate or registration is under a disciplinary order  
45 by the board, except for suspension for nonregistration pursuant to

1 section 32-741.01, or against whom disciplinary proceedings have been  
2 initiated may not cancel the certificate or registration.

3 B. An individual whose certificate has been canceled shall not  
4 assume or use the ~~title or CPA~~ designation of ~~"certified public~~  
5 ~~accountant" or "public accountant" or the abbreviation "C.P.A.", "CPA",~~  
6 ~~"P.A." or "PA"~~ while the certificate remains on canceled status unless the  
7 individual qualifies for limited reciprocity privilege pursuant to section  
8 32-725.

9 ~~C. An individual whose certificate has been canceled and who does~~  
10 ~~not qualify for certification by reciprocity pursuant to section 32-721,~~  
11 ~~subsection C may apply for reinstatement and the board may reinstate the~~  
12 ~~certificate if the individual meets all of the following requirements:~~

13 ~~1. Files an application for reinstatement on the form prescribed by~~  
14 ~~the board and pays the reinstatement application fee pursuant to section~~  
15 ~~32-729.~~

16 ~~2. Submits proof that the individual has satisfied continuing~~  
17 ~~professional education requirements as prescribed by the board.~~

18 ~~3. Affirms that the individual has not engaged in any conduct that~~  
19 ~~would constitute grounds for revocation or suspension of a certificate~~  
20 ~~pursuant to section 32-741.~~

21 ~~4. On board approval of reinstatement, pays the registration fee~~  
22 ~~pursuant to section 32-729.~~

23 ~~D. A firm whose registration has been canceled may apply for~~  
24 ~~reinstatement and the board may reinstate the firm's registration with a~~  
25 ~~new effective date of the firm's formation if the firm meets both of the~~  
26 ~~following requirements:~~

27 ~~1. Files an application on a form prescribed by the board and pays~~  
28 ~~the registration fee pursuant to section 32-729.~~

29 ~~2. Meets the requirements of section 32-731.~~

30 Sec. 10. Section 32-730.03, Arizona Revised Statutes, is amended to  
31 read:

32 32-730.03. Expired status

33 A. A registrant's certificate or registration is expired if the  
34 registrant fails to reinstate the certificate or registration within  
35 twelve months after it has been suspended pursuant to section 32-741.01 or  
36 32-741.02 or fails to reinstate a certificate that has been on inactive  
37 status pursuant to section 32-730.01 for more than six years.

38 B. An individual whose certificate has expired shall not assume or  
39 use the ~~title or CPA~~ designation of ~~"certified public accountant" or~~  
40 ~~"public accountant" or the abbreviation "C.P.A.", "CPA", "P.A." or "PA"~~  
41 while the certificate remains on expired status unless the individual  
42 qualifies for limited reciprocity privilege pursuant to section 32-725.

43 ~~C. An individual whose certificate has expired may apply for~~  
44 ~~reinstatement and the board may reinstate the certificate if the~~  
45 ~~individual meets all of the following requirements:~~

1 ~~1. Files an application for reinstatement on a form prescribed by~~  
2 ~~the board and pays the reinstatement application fee pursuant to section~~  
3 ~~32-729.~~

4 ~~2. Submits proof that the individual has satisfied continuing~~  
5 ~~professional education requirements as prescribed by the board.~~

6 ~~3. Affirms that the individual has not engaged in any conduct that~~  
7 ~~would constitute grounds for revocation or suspension of a certificate~~  
8 ~~pursuant to section 32-741.~~

9 ~~4. On board approval of reinstatement, pays the registration fee~~  
10 ~~pursuant to section 32-729.~~

11 ~~D. A firm whose registration has expired may apply for~~  
12 ~~reinstatement and the board may reinstate the firm's registration with a~~  
13 ~~new effective date of the firm's formation if the firm meets both of the~~  
14 ~~following requirements:~~

15 ~~1. Files an application on a form prescribed by the board and pays~~  
16 ~~the registration fee pursuant to section 32-729.~~

17 ~~2. Meets the requirements of section 32-731.~~

18 Sec. 11. Section 32-730.04, Arizona Revised Statutes, is amended to  
19 read:

20 32-730.04. Retired status

21 A. A registrant who ~~is at least fifty-five years of age, who has~~  
22 ~~been a certified public accountant or public accountant in one or more~~  
23 ~~jurisdictions for at least twenty years and who is not actively engaged in~~  
24 ~~the practice of accounting for a fee or other compensation~~ MEETS ALL OF  
25 THE FOLLOWING REQUIREMENTS may request that the registrant's certificate  
26 be placed on retired status: ~~by submitting a request on a form approved~~

27 1. COMPLETES THE FORMS PRESCRIBED by the board. ~~A registrant whose~~

28 2. IS AT LEAST FIFTY-FIVE YEARS OF AGE.

29 3. HAS BEEN A CERTIFIED PUBLIC ACCOUNTANT IN ONE OR MORE  
30 JURISDICTIONS FOR AT LEAST TWENTY YEARS.

31 4. DOES NOT HAVE A certificate ~~is~~ under a disciplinary order by the  
32 board, except for suspension for nonregistration pursuant to section  
33 32-741.01. ~~or against whom~~

34 5. DOES NOT HAVE disciplinary proceedings ~~have been~~ initiated ~~may~~  
35 ~~not place or maintain a certificate on retired status~~ AGAINST THE  
36 REGISTRANT.

37 6. DOES NOT PROVIDE ATTEST SERVICES.

38 7. DOES NOT PROVIDE ACCOUNTING SERVICES FOR A FEE OR OTHER  
39 COMPENSATION.

40 B. A registrant whose certificate is on retired status:

41 1. Shall continue to register once every two years with the board  
42 and pay a registration fee and all of an applicable late fee as prescribed  
43 by section 32-729.



1 ~~2. Shall not engage in the practice of accounting for a fee or~~  
2 ~~other compensation while the registrant's certificate remains on retired~~  
3 ~~status.~~

4 ~~3.~~ 2. Shall not DO ANY OF THE FOLLOWING:

5 (a) PROVIDE ATTEST SERVICES.

6 (b) PROVIDE ACCOUNTING SERVICES FOR A FEE OR OTHER COMPENSATION.

7 (c) Assume or use the ~~title or~~ CPA designation of ~~"certified public~~  
8 ~~accountant" or "public accountant" or the abbreviation "C.P.A.", "CPA",~~  
9 ~~"P.A." or "PA" IN THIS STATE~~ unless accompanied by the word "retired" or  
10 the abbreviation "RET" ~~while the registrant's certificate remains on~~  
11 ~~retired status.~~

12 ~~C. A registrant may request that the registrant's certificate be~~  
13 ~~reactivated if the registrant meets all of the following requirements:~~

14 ~~1. Files an application for renewal on the form prescribed by the~~  
15 ~~board and pays the registration fee pursuant to section 32-729.~~

16 ~~2. Submits proof that the registrant has satisfied continuing~~  
17 ~~professional education requirements as prescribed by the board.~~

18 ~~3. Affirms that the registrant has not engaged in any conduct that~~  
19 ~~would constitute grounds for revocation or suspension of a certificate~~  
20 ~~pursuant to section 32-741.~~

21 Sec. 12. Section 32-741.03, Arizona Revised Statutes, is  
22 transferred and renumbered for placement in title 32, chapter 6, article  
23 2, Arizona Revised Statutes, as section 32-730.05 and, as so renumbered,  
24 is amended to read:

25 32-730.05. Revoked status

26 ~~A. If the board revokes the certificate of an individual~~  
27 ~~registrant, the individual shall return the certificate to the board. If~~  
28 ~~the individual is unable to return the certificate, the individual must~~  
29 ~~sign and submit to the board an affidavit on a form prescribed by the~~  
30 ~~board stating that the individual is unable to return the certificate to~~  
31 ~~the board.~~

32 ~~B. An individual whose certificate has been revoked shall not~~  
33 ~~assume or use the title or CPA designation of "certified public~~  
34 ~~accountant" or "public accountant" or the abbreviation "C.P.A.", "CPA",~~  
35 ~~"P.A." or "PA".~~

36 ~~C. Except as otherwise provided in this subsection, the board shall~~  
37 ~~not issue a certificate to an individual whose certificate has been~~  
38 ~~revoked until five years after the effective date of revocation. If the~~  
39 ~~revocation is based only on section 32-741, subsection A, paragraph 1 or 2~~  
40 ~~and the criminal conviction is ultimately reversed on appeal, the board~~  
41 ~~shall enter an order vacating the revocation.~~

42 ~~D. An individual whose certificate has been revoked may apply for~~  
43 ~~and the board may issue a new certificate if the individual does all of~~  
44 ~~the following:~~

1 ~~1. Files an application for reinstatement on a form prescribed by~~  
2 ~~the board and pays the reinstatement application fee pursuant to section~~  
3 ~~32-729.~~

4 ~~2. Demonstrates through substantial evidence presented to the board~~  
5 ~~that the individual is completely rehabilitated with respect to the~~  
6 ~~conduct that was the basis of the revocation of the certificate.~~  
7 ~~Demonstration of rehabilitation shall include evidence of the following:~~

8 ~~(a) The individual has not engaged in any conduct during the~~  
9 ~~revocation period that, if the individual had been registered during the~~  
10 ~~period, would have constituted a basis for revocation or suspension~~  
11 ~~pursuant to section 32-741.~~

12 ~~(b) With respect to any criminal conviction that constitutes any~~  
13 ~~part of the basis for the previous revocation, civil rights have been~~  
14 ~~fully restored pursuant to statute or an applicable recognized judicial or~~  
15 ~~gubernatorial order.~~

16 ~~(c) The individual has made restitution as ordered by the board or~~  
17 ~~by a court of competent jurisdiction as a result of the individual's~~  
18 ~~violation of this chapter or rules adopted pursuant to this chapter.~~

19 ~~(d) The individual has addressed or remedied any complaints,~~  
20 ~~investigations or board-ordered requirements that are pending or~~  
21 ~~outstanding at the time of revocation.~~

22 ~~(e) Other evidence of rehabilitation that the board deems~~  
23 ~~appropriate.~~

24 ~~3. Submits proof that the individual has satisfied continuing~~  
25 ~~professional education requirements as prescribed by the board.~~

26 ~~4. If not waived by the board, presents satisfactory evidence from~~  
27 ~~an accredited institution or a college or university that maintains~~  
28 ~~standards comparable to those of an accredited institution that the~~  
29 ~~individual has completed at least one hundred fifty semester hours of~~  
30 ~~education as follows:~~

31 ~~(a) At least thirty-six semester hours are accounting courses of~~  
32 ~~which at least thirty semester hours are upper-level courses.~~

33 ~~(b) At least thirty semester hours are related courses.~~

34 ~~5. If prescribed by the board, presents evidence that the~~  
35 ~~individual has retaken and passed the uniform certified public accountant~~  
36 ~~examination.~~

37 ~~6. On board approval of reinstatement, pays the registration fee~~  
38 ~~pursuant to section 32-729.~~

39 Sec. 13. Section 32-741.04, Arizona Revised Statutes, is  
40 transferred and renumbered for placement in title 32, chapter 6, article  
41 2, Arizona Revised Statutes, as section 32-730.06 and, as so renumbered,  
42 is amended to read:

43 32-730.06. Relinquished status

44 A. A ~~certified public accountant or public accountant~~ REGISTRANT  
45 may relinquish ~~the individual's~~ A certificate OR FIRM REGISTRATION pending

1 or in lieu of an investigation or disciplinary ~~proceedings~~ PROCEEDING or  
2 while under a disciplinary order. The board shall consider a  
3 relinquishment tendered by a ~~certified public accountant or public~~  
4 ~~accountant~~ REGISTRANT pursuant to this section and shall determine whether  
5 to accept the relinquishment. The board shall issue an order documenting  
6 its decision.

7 B. An individual whose certificate, OR AN INDIVIDUAL, SOLE  
8 PROPRIETOR OR BUSINESS ORGANIZATION WHOSE FIRM REGISTRATION, has been  
9 relinquished shall not assume or use the ~~title or CPA~~ designation of  
10 ~~"certified public accountant" or "public accountant" or the abbreviation~~  
11 ~~"C.P.A.", "CPA", "P.A." or "PA"~~.

12 ~~C. An individual who relinquishes a certificate pursuant to this~~  
13 ~~section may apply for reinstatement and the board may issue a new~~  
14 ~~certificate if the individual does all of the following:~~

15 ~~1. Files an application for reinstatement on the form prescribed by~~  
16 ~~the board and pays the reinstatement application fee pursuant to section~~  
17 ~~32-729.~~

18 ~~2. Demonstrates through substantial evidence presented to the board~~  
19 ~~that the individual is completely rehabilitated with respect to the~~  
20 ~~conduct that was pending at the time of relinquishment. Demonstration of~~  
21 ~~rehabilitation shall include evidence of the following:~~

22 ~~(a) The individual has not engaged in any conduct during the~~  
23 ~~relinquishment period that, if the individual had been registered during~~  
24 ~~the period, would have constituted a basis for revocation or suspension~~  
25 ~~pursuant to section 32-741.~~

26 ~~(b) With respect to any criminal conviction that constitutes any~~  
27 ~~part of the basis for the relinquishment, civil rights have been fully~~  
28 ~~restored pursuant to statute or an applicable recognized judicial or~~  
29 ~~gubernatorial order.~~

30 ~~(c) The individual has addressed or remedied any complaints,~~  
31 ~~investigations or board-ordered requirements that are pending or~~  
32 ~~outstanding at the time of relinquishment.~~

33 ~~(d) The individual has made restitution as ordered by the board or~~  
34 ~~by a court of competent jurisdiction as a result of the individual's~~  
35 ~~violation of this chapter or rules adopted pursuant to this chapter.~~

36 ~~(e) Other evidence of rehabilitation that the board deems~~  
37 ~~appropriate.~~

38 ~~3. Submits proof that the individual has satisfied continuing~~  
39 ~~education requirements as prescribed by the board.~~

40 ~~4. If not waived by the board, presents satisfactory evidence from~~  
41 ~~an accredited institution or a college or university that maintains~~  
42 ~~standards comparable to those of an accredited institution that the~~  
43 ~~individual has completed at least one hundred fifty semester hours of~~  
44 ~~education as follows:~~

1 ~~(a) At least thirty-six semester hours are accounting courses of~~  
2 ~~which at least thirty semester hours are upper-level courses.~~

3 ~~(b) At least thirty semester hours are related courses.~~

4 ~~5. If prescribed by the board, presents evidence that the~~  
5 ~~individual has retaken and passed the uniform certified public accountant~~  
6 ~~examination.~~

7 ~~6. On board approval of reinstatement, pays the registration fee~~  
8 ~~pursuant to section 32-729.~~

9 ~~D. C.~~ C. If the board accepts the relinquishment of a certificate of  
10 a certified public accountant or ~~public accountant~~ REGISTRATION OF A FIRM,  
11 the ~~person~~ REGISTRANT shall ~~return the certificate to the board and shall~~  
12 ~~attach to the certificate a document that is signed and dated and that is~~  
13 ~~in substantially the following form:~~

14 ~~I, (insert name of registrant),~~ acknowledge that disciplinary  
15 proceedings have been initiated against ~~me~~ THE REGISTRANT  
16 pursuant to ~~title 32, chapter 6,~~ article 3, ~~Arizona Revised~~  
17 ~~Statutes,~~ OF THIS CHAPTER and ~~I relinquish my~~ THAT THE  
18 REGISTRANT RELINQUISHES THE right to practice accounting as a  
19 ~~(insert either "certified public accountant" or "public~~  
20 ~~accountant")~~ CERTIFIED PUBLIC ACCOUNTANT OR FIRM in ~~the~~ THIS  
21 state ~~of Arizona.~~ I understand that THE REGISTRANT SHALL  
22 ACKNOWLEDGE THAT THE REGISTRANT UNDERSTANDS BOTH OF THE  
23 FOLLOWING:

24 1. If ~~I choose~~ THE REGISTRANT CHOOSES to apply for a  
25 new certificate OR FIRM REGISTRATION, ~~I must~~ THE REGISTRANT  
26 SHALL meet all requirements for certification OR FIRM  
27 REGISTRATION pursuant to section ~~32-741.04,~~ Arizona Revised  
28 ~~Statutes 32-731.~~ I further understand that,

29 2. In deciding whether to issue a new certificate OR  
30 FIRM REGISTRATION to ~~me~~ THE REGISTRANT, the board will  
31 consider all disciplinary actions currently pending against ~~me~~  
32 THE REGISTRANT and any other matters it determines to be  
33 appropriate.

34 Sec. 14. Section 32-731, Arizona Revised Statutes, is amended to  
35 read:

36 32-731. Certified public accountant firm registration  
37 requirements; performance of attest services;  
38 definition

39 A. Except as provided in section 32-725, subsection G, once every  
40 two years ~~a partnership engaged in this state in the practice of~~  
41 ~~accounting by certified public accountants or public accountants~~ EACH OF  
42 THE FOLLOWING shall pay the registration fee pursuant to section 32-729  
43 and register with the board as a ~~partnership of certified public~~  
44 ~~accountants and shall meet the following requirements~~ FIRM:

1 ~~1. At least one partner shall be a resident and a full-time~~  
2 ~~practicing certified public accountant in good standing in this state.~~

3 ~~2. At least fifty-one percent of the ownership of the partnership,~~  
4 ~~in terms of direct and indirect financial interests and voting rights,~~  
5 ~~must belong to holders in good standing of certificates or licenses to~~  
6 ~~practice accounting as certified public accountants or public accountants~~  
7 ~~in any jurisdiction. Only certified public accountants or public~~  
8 ~~accountants whose qualifications are considered to be substantially~~  
9 ~~equivalent, as provided by section 32-721, subsections C and D, may be~~  
10 ~~considered as meeting the requirement prescribed by this paragraph.~~

11 ~~B. A partnership registered with the board pursuant to this section~~  
12 ~~may include owners who are not certified pursuant to this chapter if all~~  
13 ~~of the following apply:~~

14 ~~1. The partnership designates an individual who is certified~~  
15 ~~pursuant to this chapter and who is responsible for the proper~~  
16 ~~registration of the firm.~~

17 ~~2. All noncertified partners actively participate in the management~~  
18 ~~of the partnership or a directly affiliated entity that has been approved~~  
19 ~~by the board. For the purposes of this paragraph:~~

20 ~~(a) A partner actively participates if all of the following occur:~~

21 ~~(i) The partner performs at least five hundred hours of accounting~~  
22 ~~services for the public accounting partnership during the calendar year.~~

23 ~~(ii) The accounting services performed constitute the partner's~~  
24 ~~principal occupation.~~

25 ~~(iii) The partner's interest in the public accounting partnership~~  
26 ~~reverts to the partnership if the partner stops performing services for~~  
27 ~~the partnership.~~

28 ~~(b) "Directly affiliated entity" means a firm in which each owner~~  
29 ~~of an equity interest in the entity actively participates in the business~~  
30 ~~of providing services to the firm's clients.~~

31 ~~3. Any partner who is ultimately responsible for supervising attest~~  
32 ~~services in this state or the partner~~

33 1. A BUSINESS ORGANIZATION THAT MEETS ALL OF THE FOLLOWING  
34 CRITERIA:

35 (a) HAS A SIMPLE MAJORITY OF THE OWNERSHIP, IN TERMS OF DIRECT AND  
36 INDIRECT FINANCIAL INTERESTS AND VOTING RIGHTS, THAT BELONG TO HOLDERS IN  
37 GOOD STANDING OF CERTIFICATES OR LICENSES AS CERTIFIED PUBLIC ACCOUNTANTS  
38 IN ANY JURISDICTION.

39 (b) HAS AN OFFICE IN THIS STATE.

40 (c) EITHER:

41 (i) PROVIDES ATTEST SERVICES.

42 (ii) USES THE CPA DESIGNATION IN ITS FIRM NAME.

43 2. A SOLE PROPRIETORSHIP THAT MEETS ALL OF THE FOLLOWING CRITERIA:

44 (a) HAS AN OWNER THAT IS A CERTIFIED PUBLIC ACCOUNTANT IN GOOD  
45 STANDING IN THIS STATE.

1 (b) HAS AN OFFICE IN THIS STATE.

2 (c) EITHER:

3 (i) PERFORMS ATTEST SERVICES.

4 (ii) USES THE CPA DESIGNATION IN ITS FIRM NAME, UNLESS THE FIRM  
5 NAME IS THE NAME OF THE SOLE PROPRIETOR AS REGISTERED WITH THE BOARD.

6 3. AN INDIVIDUAL WHO MEETS BOTH OF THE FOLLOWING CRITERIA:

7 (a) IS A CERTIFIED PUBLIC ACCOUNTANT IN GOOD STANDING IN THIS  
8 STATE.

9 (b) PERFORMS ATTEST SERVICES IN THIS STATE, OTHER THAN AS AN OWNER  
10 OR EMPLOYEE OF A SOLE PROPRIETORSHIP OR BUSINESS ORGANIZATION REQUIRED TO  
11 REGISTER UNDER PARAGRAPH 1 OR 2 OF THIS SUBSECTION OR IN THE CAPACITY AS  
12 AN EMPLOYEE OF A GOVERNMENTAL ENTITY.

13 B. ATTEST SERVICES SHALL BE PROVIDED ONLY THROUGH A REGISTERED FIRM  
14 IN GOOD STANDING IN THIS STATE. ANY ATTEST SERVICES REPORTS ISSUED BY A  
15 FIRM MUST BE SIGNED BY A PERSON ~~who signs any reports related to attest~~  
16 ~~services on behalf of the partnership in this state shall be~~ IS certified  
17 pursuant to this chapter or qualified to exercise the limited reciprocity  
18 privilege pursuant to section 32-725, subsection G ~~and shall meet the~~  
19 ~~experience requirements for carrying out these functions adopted by the~~  
20 ~~board in its rules.~~

21 ~~4. The partnership complies with other requirements imposed by the~~  
22 ~~board in its rules.~~

23 C. AN application ~~for~~ OR registration pursuant to this section  
24 shall be made ~~on affidavit of a partner~~ BY AN OWNER of the ~~partnership~~  
25 FIRM who is a certified public accountant ~~or public accountant~~ in good  
26 standing ~~in this state. The board in each case shall determine whether~~  
27 ~~the applicant is eligible for registration.~~ A partnership FIRM that is  
28 registered pursuant to this section may use the words ~~"certified public~~  
29 ~~accountants" or the abbreviation "C.P.A.'s" or "CPA's" or the words~~  
30 ~~"public accountants" or the abbreviation "P.A.'s" or "PA's"~~ CPA  
31 DESIGNATION in connection with its ~~partnership~~ FIRM name as provided for  
32 by the board in its rules. ~~Partnerships registered pursuant to this~~  
33 ~~chapter may provide attest services.~~

34 D. A ~~partnership~~ FIRM that applies ~~for an initial registration or~~  
35 ~~a renewal~~ REGISTERS pursuant to this section shall list in its application  
36 OR REGISTRATION all jurisdictions in which the ~~partnership has applied for~~  
37 ~~or holds a registration, license or permit as a certified public~~  
38 ~~accountant partnership and shall list any past denials, revocations or~~  
39 ~~suspensions of registrations, licenses or permits~~ FIRM HAS ANY  
40 DISCIPLINARY ACTIONS, OTHER THAN FOR FAILURE TO TIMELY RENEW A  
41 REGISTRATION, LICENSE OR PERMIT, by any other jurisdiction.

42 E. Except as provided in subsection F of this section, an applicant  
43 for registration or a ~~partnership~~ FIRM registered pursuant to this section  
44 shall notify the board in writing within one month of any ~~of the~~  
45 ~~following:~~

- 1           ~~1. The termination of any partnership.~~
- 2           ~~2. The admission of a partner to a partnership that is registered~~
- 3 ~~pursuant to this section if the partner is a certified public accountant~~
- 4 ~~or a public accountant.~~
- 5           ~~3. The withdrawal of a partner from a partnership that is~~
- 6 ~~registered pursuant to this section if the partner is a certified public~~
- 7 ~~accountant or a public accountant.~~
- 8           ~~4. A change of a partner's residence from this state to another~~
- 9 ~~jurisdiction or from another jurisdiction to this state if the partner is~~
- 10 ~~in a partnership that is registered pursuant to this section and the~~
- 11 ~~partner was a certified public accountant or a public accountant.~~
- 12           ~~5. The death of a person who is a partner in a partnership that is~~
- 13 ~~registered pursuant to this section and who was a certified public~~
- 14 ~~accountant or a public accountant.~~
- 15           ~~6. Any change by any jurisdiction in the certificate or license~~
- 16 ~~status of a certified public accountant or a public accountant owner of~~
- 17 ~~the partnership that prevents the certificate or license from being in~~
- 18 ~~good standing or that prevents the right of the certified public~~
- 19 ~~accountant or a public accountant to practice accounting as a certified~~
- 20 ~~public accountant or a public accountant in that jurisdiction.~~
- 21           ~~7. Any change in the number or location of offices of the~~
- 22 ~~partnership in this state and any change in the identity of the~~
- 23 ~~individuals in charge of the partnership's offices in this state. CHANGE~~
- 24 ~~IN OWNERS THAT RESULTS IN LESS THAN A SIMPLE MAJORITY OF THE OWNERSHIP IN~~
- 25 ~~TERMS OF DIRECT AND INDIRECT FINANCIAL INTERESTS AND VOTING RIGHTS THAT~~
- 26 ~~BELONG TO HOLDERS IN GOOD STANDING OF CERTIFICATES OR LICENSES AS~~
- 27 ~~CERTIFIED PUBLIC ACCOUNTANTS IN ANY JURISDICTION.~~
- 28           ~~F. If a partnership fails to comply with subsection E of this~~
- 29 ~~section,~~ The board OR THE BOARD'S EXECUTIVE DIRECTOR may grant a
- 30 reasonable period of time for the partnership FIRM to take corrective
- 31 action TO MAINTAIN ITS QUALIFICATIONS AS A FIRM.
- 32           G. Professional corporations composed of certified public
- 33 accountants ~~or public accountants~~ shall meet the requirements of title 10,
- 34 chapter 20 and any additional nonconflicting requirements contained in
- 35 this section.
- 36           H. Limited liability companies, professional limited liability
- 37 companies and limited liability partnerships composed of certified public
- 38 accountants ~~or public accountants~~ shall meet the requirements of title 29,
- 39 ~~chapters~~ CHAPTER 4 or 5 and any additional nonconflicting requirements
- 40 contained in this section.
- 41           I. A REGISTRANT MAY NOT USE ANY FIRM NAME OTHER THAN THE FIRM NAME
- 42 THAT IS REGISTERED WITH THE BOARD.
- 43           ~~f.~~ J. For the purposes of this section, ~~f.~~

1 ~~1. "Partner" includes any shareholder of a professional corporation~~  
2 ~~and any member of a limited liability company or professional limited~~  
3 ~~liability company.~~

4 ~~2. "Partnership" includes a professional corporation, a limited~~  
5 ~~liability company and a professional limited liability company. "GOOD~~  
6 ~~STANDING" MEANS:~~

7 1. FOR AN INDIVIDUAL, A STATUS THAT ALLOWS THE INDIVIDUAL TO USE  
8 THE CPA DESIGNATION AND TO PERFORM ACCOUNTING SERVICES FOR A FEE OR OTHER  
9 COMPENSATION.

10 2. FOR A FIRM, A STATUS THAT ALLOWS THE FIRM TO USE THE CPA  
11 DESIGNATION.

12 Sec. 15. Title 32, chapter 6, article 2, Arizona Revised Statutes,  
13 is amended by adding section 32-732, to read:

14 32-732. ~~Reactivation from inactive or retired status;~~  
15 ~~reinstatement from canceled, expired, relinquished~~  
16 ~~or revoked status~~

17 A. A CERTIFIED PUBLIC ACCOUNTANT WITH A CERTIFICATE STATUS OF  
18 INACTIVE OR RETIRED MAY REQUEST THAT THE CERTIFIED PUBLIC ACCOUNTANT'S  
19 CERTIFICATE BE REACTIVATED IF ALL OF THE FOLLOWING APPLY:

20 1. THE REGISTRANT FILES AN APPLICATION FOR RENEWAL ON THE FORM  
21 PRESCRIBED BY THE BOARD AND PAYS THE REGISTRATION FEE PURSUANT TO SECTION  
22 32-729.

23 2. THE REGISTRANT SUBMITS PROOF THAT THE REGISTRANT HAS SATISFIED  
24 CONTINUING PROFESSIONAL EDUCATION REQUIREMENTS AS PRESCRIBED BY THE BOARD.

25 3. EITHER:

26 (a) THE REGISTRANT AFFIRMS THAT THE REGISTRANT HAS NOT ENGAGED IN  
27 ANY CONDUCT DURING THE PERIOD OF TIME THAT THE CERTIFICATE WAS IN INACTIVE  
28 OR RETIRED STATUS THAT WOULD CONSTITUTE A REASON TO REVOKE OR SUSPEND THE  
29 CERTIFICATE PURSUANT TO SECTION 32-741.

30 (b) THE BOARD DETERMINES THAT GOOD CAUSE EXISTS FOR THE CONDUCT.

31 B. AN INDIVIDUAL WITH A CERTIFICATE STATUS OF CANCELED, WHO DOES  
32 NOT QUALIFY FOR CERTIFICATION BY RECIPROCITY PURSUANT TO SECTION 32-721,  
33 SUBSECTION C, MAY REQUEST THAT THE INDIVIDUAL'S CERTIFICATE BE REINSTATED  
34 IF ALL OF THE FOLLOWING APPLY:

35 1. THE REGISTRANT FILES AN APPLICATION FOR REINSTATEMENT ON THE  
36 FORM PRESCRIBED BY THE BOARD AND PAYS THE REINSTATEMENT APPLICATION FEE  
37 PURSUANT TO SECTION 32-729.

38 2. THE REGISTRANT SUBMITS PROOF THAT THE REGISTRANT HAS SATISFIED  
39 CONTINUING PROFESSIONAL EDUCATION REQUIREMENTS AS PRESCRIBED BY THE BOARD.

40 3. EITHER:

41 (a) THE REGISTRANT AFFIRMS THAT THE INDIVIDUAL HAS NOT ENGAGED IN  
42 ANY CONDUCT DURING THE PERIOD OF TIME THAT THE CERTIFICATE WAS IN CANCELED  
43 STATUS THAT WOULD CONSTITUTE A REASON TO SUSPEND OR REVOKE PURSUANT TO  
44 SECTION 32-741.

45 (b) THE BOARD DETERMINES THAT GOOD CAUSE EXISTS FOR THE CONDUCT.



1           4. ON BOARD APPROVAL OF REINSTATEMENT, PAYS THE REGISTRATION FEE  
2 PURSUANT TO SECTION 32-729.

3           C. AN INDIVIDUAL WITH A CERTIFICATE STATUS OF EXPIRED, RELINQUISHED  
4 OR REVOKED MAY REQUEST THAT THE INDIVIDUAL'S CERTIFICATE BE REINSTATED IF  
5 THE INDIVIDUAL MEETS ALL THE FOLLOWING REQUIREMENTS:

6           1. THE REQUIREMENTS PRESCRIBED BY SUBSECTION B, PARAGRAPHS 1, 2 AND  
7 4 OF THIS SECTION.

8           2. UNLESS WAIVED BY A BOARD RELINQUISHMENT OR REVOCATION ORDER,  
9 PRESENTS SATISFACTORY EVIDENCE FROM AN ACCREDITED INSTITUTION OR A COLLEGE  
10 OR UNIVERSITY THAT MAINTAINS STANDARDS COMPARABLE TO THOSE OF AN  
11 ACCREDITED INSTITUTION THAT THE INDIVIDUAL HAS COMPLETED AT LEAST ONE  
12 HUNDRED FIFTY SEMESTER HOURS OF EDUCATION AS FOLLOWS:

13           (a) AT LEAST THIRTY-SIX SEMESTER HOURS OF ACCOUNTING COURSES OF  
14 WHICH AT LEAST THIRTY SEMESTER HOURS ARE UPPER-LEVEL COURSES.

15           (b) AT LEAST THIRTY SEMESTER HOURS OF ACCOUNTING-RELATED COURSES.

16           3. IF PRESCRIBED BY A BOARD RELINQUISHMENT OR REVOCATION ORDER,  
17 PRESENTS EVIDENCE THAT THE INDIVIDUAL HAS RETAKEN AND PASSED THE UNIFORM  
18 CERTIFIED PUBLIC ACCOUNTANT EXAMINATION.

19           4. DEMONSTRATES THROUGH SUBSTANTIAL EVIDENCE PRESENTED TO THE BOARD  
20 THAT THE INDIVIDUAL IS COMPLETELY REHABILITATED WITH RESPECT TO THE  
21 CONDUCT THAT WAS PENDING OR OUTSTANDING AT THE TIME THE CERTIFICATE WAS  
22 RELINQUISHED OR REVOKED OR THAT OCCURRED BEFORE OR AFTER THE CERTIFICATE  
23 EXPIRED. DEMONSTRATION OF REHABILITATION INCLUDES EVIDENCE OF THE  
24 FOLLOWING:

25           (a) THE INDIVIDUAL HAS NOT ENGAGED IN ANY CONDUCT THAT, IF THE  
26 INDIVIDUAL HAD BEEN REGISTERED DURING THE PERIOD THE CONDUCT OCCURRED,  
27 WOULD HAVE CONSTITUTED A BASIS FOR REVOCATION OR SUSPENSION PURSUANT TO  
28 SECTION 32-741.

29           (b) THE INDIVIDUAL'S CIVIL RIGHTS HAVE BEEN FULLY RESTORED PURSUANT  
30 TO STATUTE OR AN APPLICABLE RECOGNIZED JUDICIAL OR GUBERNATORIAL ORDER  
31 WITH RESPECT TO ANY CRIMINAL CONVICTION THAT CONSTITUTES ANY PART OF THE  
32 BASIS FOR THE RELINQUISHMENT OR REVOCATION OR THAT OCCURRED BEFORE OR  
33 AFTER THE CERTIFICATE EXPIRED.

34           (c) THE INDIVIDUAL HAS ADDRESSED OR REMEDIED ANY COMPLAINTS,  
35 INVESTIGATIONS OR BOARD-ORDERED REQUIREMENTS THAT WERE PENDING OR  
36 OUTSTANDING AT THE TIME OF EXPIRATION, RELINQUISHMENT OR REVOCATION.

37           (d) THE INDIVIDUAL HAS MADE RESTITUTION AS ORDERED BY THE BOARD OR  
38 BY A COURT OF COMPETENT JURISDICTION AS A RESULT OF THE INDIVIDUAL'S  
39 VIOLATION OF THIS CHAPTER OR RULES ADOPTED PURSUANT TO THIS CHAPTER.

40           (e) OTHER EVIDENCE OF REHABILITATION THAT THE BOARD DEEMS  
41 APPROPRIATE.

42           D. EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION C OF THIS SECTION,  
43 THE BOARD MAY NOT ISSUE A CERTIFICATE TO AN INDIVIDUAL WHOSE CERTIFICATE  
44 HAS BEEN REVOKED UNTIL FIVE YEARS AFTER THE EFFECTIVE DATE OF REVOCATION.  
45 IF THE REVOCATION IS BASED ONLY ON SECTION 32-741, SUBSECTION A, PARAGRAPH

1 1 OR 2 AND THE CRIMINAL CONVICTION IS ULTIMATELY REVERSED ON APPEAL, THE  
2 BOARD SHALL ENTER AN ORDER VACATING THE REVOCATION.

3 E. AN INDIVIDUAL, SOLE PROPRIETOR OR BUSINESS ORGANIZATION WHOSE  
4 FIRM REGISTRATION HAS BEEN CANCELED MAY REQUEST THAT THE FIRM REGISTRATION  
5 BE REINSTATED IF THE INDIVIDUAL, SOLE PROPRIETOR OR BUSINESS ORGANIZATION  
6 DOES ALL OF THE FOLLOWING:

7 1. FILES AN APPLICATION FOR REINSTATEMENT ON THE FORM PRESCRIBED BY  
8 THE BOARD AND PAYS THE REINSTATEMENT APPLICATION FEE PURSUANT TO SECTION  
9 32-729.

10 2. MEETS THE REQUIREMENTS OF SECTION 32-731.

11 3. ON BOARD APPROVAL OF REINSTATEMENT, PAYS THE REGISTRATION FEE  
12 PURSUANT TO SECTION 32-729.

13 F. AN INDIVIDUAL, SOLE PROPRIETOR OR BUSINESS ORGANIZATION WHOSE  
14 FIRM REGISTRATION HAS EXPIRED OR BEEN RELINQUISHED OR REVOKED MAY REQUEST  
15 THAT THE FIRM REGISTRATION BE REINSTATED IF THE INDIVIDUAL, SOLE  
16 PROPRIETOR OR BUSINESS ORGANIZATION MEETS ALL OF THE FOLLOWING  
17 REQUIREMENTS:

18 1. THE REQUIREMENTS PRESCRIBED BY SUBSECTION E OF THIS SECTION.

19 2. DEMONSTRATES THROUGH SUBSTANTIAL EVIDENCE PRESENTED TO THE BOARD  
20 THAT THE FIRM IS COMPLETELY REHABILITATED WITH RESPECT TO THE CONDUCT THAT  
21 WAS PENDING OR OUTSTANDING AT THE TIME THE REGISTRATION WAS RELINQUISHED  
22 OR REVOKED OR THAT OCCURRED BEFORE OR AFTER THE REGISTRATION EXPIRED.  
23 DEMONSTRATION OF REHABILITATION INCLUDES EVIDENCE OF THE FOLLOWING:

24 (a) THE FIRM OR ANY OWNER OF THE FIRM HAS NOT ENGAGED IN ANY  
25 CONDUCT THAT, IF THE FIRM HAD BEEN REGISTERED DURING THE PERIOD THE  
26 CONDUCT OCCURRED, WOULD HAVE CONSTITUTED A BASIS FOR REVOCATION OR  
27 SUSPENSION PURSUANT TO SECTION 32-741.

28 (b) THE FIRM HAS ADDRESSED OR REMEDIED ANY COMPLAINTS,  
29 INVESTIGATIONS OR BOARD-ORDERED REQUIREMENTS THAT WERE PENDING OR  
30 OUTSTANDING AT THE TIME OF EXPIRATION, RELINQUISHMENT OR REVOCATION.

31 (c) THE FIRM HAS MADE RESTITUTION AS ORDERED BY THE BOARD OR BY A  
32 COURT OF COMPETENT JURISDICTION AS A RESULT OF ANY VIOLATION OF THIS  
33 CHAPTER OR RULES ADOPTED PURSUANT TO THIS CHAPTER.

34 (d) OTHER EVIDENCE OF REHABILITATION THAT THE BOARD DEEMS  
35 APPROPRIATE.

36 Sec. 16. Section 32-741, Arizona Revised Statutes, is amended to  
37 read:

38 32-741. Revocation or suspension of certificate; disciplinary  
39 action; letter of concern

40 A. After notice and an opportunity for a hearing, the board may  
41 revoke or suspend any certificate granted under this chapter and may take  
42 disciplinary action concerning the holder of any certificate for any of  
43 the following causes:

44 1. Conviction of a felony under the laws of any jurisdiction or of  
45 the United States if civil rights have not been restored pursuant to title

- 1 13, chapter 9 or other applicable recognized judicial or gubernatorial  
2 order.
- 3 2. Conviction of any crime that has a reasonable relationship to  
4 the practice of accounting by a certified public accountant ~~or by a public~~  
5 ~~accountant~~, including crimes involving accounting or tax violations,  
6 dishonesty, fraud, misrepresentation, embezzlement, theft, forgery,  
7 perjury or breach of fiduciary duty, regardless of whether civil rights  
8 have been restored.
- 9 3. Fraud or deceit in obtaining a certificate as a certified public  
10 accountant ~~or in obtaining a certificate as a public accountant~~ under this  
11 chapter.
- 12 4. Dishonesty, fraud or gross or continuing negligence in the  
13 practice of accounting.
- 14 5. Discipline to the holder of any certificate or other authority  
15 to practice or refusal to renew the certificate or other authority to  
16 practice as a certified public accountant by any other jurisdiction or  
17 foreign country for any cause other than failure to pay license or  
18 registration fees.
- 19 6. Violation of any of the provisions of this chapter, of title 44,  
20 chapter 12, article 13 or of any fraud provisions of the federal  
21 securities laws.
- 22 7. Final judgment in a civil action if the court makes findings of  
23 accounting violations, dishonesty, fraud, misrepresentation or breach of  
24 fiduciary duty.
- 25 8. Final judgment or order in a civil action or administrative  
26 proceeding if the court or agency makes findings of violations of any  
27 fraud provisions of the laws of any jurisdiction or federal securities  
28 laws.
- 29 9. Violation of any decision, order or rule issued or adopted by  
30 the board.
- 31 10. Suspension or revocation for cause of the right to practice  
32 before the federal securities **AND** exchange commission or any other  
33 governmental body or agency or the public company accounting oversight  
34 board or its successor.
- 35 11. Offering or accepting commissions or contingency fees for  
36 services rendered for clients for whom ~~the attest function is~~ **SERVICES ARE**  
37 also offered or rendered in the performance of the practice of accounting  
38 unless:
- 39 (a) The fee is fixed by a court or another public authority.
- 40 (b) In a tax matter, the fee is determined based on the results of  
41 a judicial proceeding or the finding of a governmental agency.
- 42 12. Failing to disclose to a client that the registrant has received  
43 or expects to receive a commission from a third party for any engagement,  
44 services or product sales involving services other than ~~the attest~~  
45 ~~function~~ **SERVICES**.

1           13. Making any false or misleading statement or verification in  
2 support of an application for a certificate, registration or permit filed  
3 by another person.

4           14. Making a false or misleading statement:

5           (a) To the board or its designated agent.

6           (b) On a form required by the board.

7           (c) In written correspondence to the board.

8           15. Failing to respond in writing or furnish information in a timely  
9 manner to the board or its designated agent, if the information is legally  
10 requested by the board and is in the registrant's possession or control.

11           B. Pursuant to title 41, chapter 6, article 10, the board may  
12 summarily suspend the certificate of any certified public accountant ~~or~~  
13 ~~public accountant~~ pending proceedings for revocation or other disciplinary  
14 action on the receipt of either of the following:

15           1. A notice of conviction of any crime that has a reasonable  
16 relationship to the practice of accounting, including crimes involving  
17 accounting or tax violations, dishonesty, fraud, misrepresentation,  
18 embezzlement, theft, forgery, perjury or breach of fiduciary duty or of  
19 any felony.

20           2. A final judgment or order in a civil action or administrative  
21 proceeding in which the court or agency made findings of violations of any  
22 fraud provisions of the laws of any jurisdiction or federal securities  
23 laws.

24           C. The board may take disciplinary action against a holder of a  
25 certificate issued pursuant to this chapter who is practicing accounting  
26 even if the person is not representing to the public that the person is a  
27 certified public accountant ~~or a public accountant~~ and even if the person  
28 is practicing accounting in a firm that is not registered by the board.

29           D. The board may issue a letter of concern if, in the opinion of  
30 the board, there is insufficient evidence to support disciplinary action  
31 against the registrant, but the board believes, as a result of information  
32 ascertained during an investigation, that continuation of the activities  
33 that led to the investigation may result in future board action against  
34 the registrant. A registrant may file a response with the board within  
35 thirty days after receipt of a letter of concern. Letters of concern  
36 issued by the board and records kept by the board in connection with  
37 investigations leading to letters of concern are confidential and are not  
38 public records.

39           Sec. 17. Section 32-741.01, Arizona Revised Statutes, is amended to  
40 read:

41           32-741.01. Suspension for nonregistration; expiration of  
42 certificate or registration

43           A. The certificate or registration of any registrant who fails to  
44 timely register and pay the biennial registration fee as required by

1 section 32-729 is automatically suspended without prior notice or a  
2 hearing.

3 B. A registrant whose certificate or registration is suspended  
4 shall not assume or use the ~~title or CPA~~ designation of ~~"certified public~~  
5 ~~accountant" or "public accountant" or the abbreviation "C.P.A.", "CPA",~~  
6 ~~"P.A." or "PA"~~ while the registrant's certificate OR REGISTRATION remains  
7 on suspended status.

8 C. A suspension under this section is vacated when the board has  
9 determined that the registrant has paid all past due fees and has  
10 satisfied all other requirements for renewal.

11 D. If the registrant fails to renew the registrant's certificate or  
12 registration within ~~twelve~~ THREE months after the date of suspension, the  
13 certificate or registration expires.

14 Sec. 18. Section 32-741.02, Arizona Revised Statutes, is amended to  
15 read:

16 32-741.02. Suspension for noncompliance with continuing  
17 education requirements; expiration of  
18 certificate

19 A. After notice and an opportunity for a hearing, the board shall  
20 suspend the certificate of any registrant who fails to show proof of  
21 compliance with the continuing professional education requirements  
22 established by the board pursuant to section 32-730.

23 B. A registrant whose certificate is suspended shall not assume or  
24 use the ~~title or CPA~~ designation of ~~"certified public accountant" or~~  
25 ~~"public accountant" or the abbreviation "C.P.A.", "CPA", "P.A." or "PA"~~  
26 while the registrant's certificate remains on suspended status.

27 C. A suspension issued under this section is vacated when the board  
28 has determined that the registrant has complied with the continuing  
29 professional education requirements and has satisfied all other  
30 requirements for renewal.

31 D. If the registrant fails to meet the requirements of subsection C  
32 of this section within ~~twelve~~ SIX months after the date of suspension, the  
33 certificate expires.

34 Sec. 19. Section 32-742, Arizona Revised Statutes, is amended to  
35 read:

36 32-742. Revocation or suspension of firm's registration;  
37 failure to renew or reinstate; reinstatement;  
38 relinquishment

39 A. After notice and an opportunity for a hearing, the board shall  
40 revoke a firm's registration ~~to practice public accounting~~ if at any time  
41 ~~it~~ THE FIRM does not have all the qualifications prescribed by this  
42 chapter AND HAS NOT BEEN GRANTED AN EXTENSION OF TIME TO COMPLY WITH FIRM  
43 REGISTRATION REQUIREMENTS PURSUANT TO SECTION 32-731, SUBSECTION F.

44 B. After notice and an opportunity for a hearing, the board may  
45 revoke or suspend a firm's registration ~~to practice public accounting~~ or

1 may take disciplinary action ~~concerning the registrant~~ for any of the  
2 causes enumerated in section 32-741, subsection A or for any of the  
3 following additional causes:

4 1. The RELINQUISHMENT, revocation or suspension of any certificate  
5 issued by the board ~~of TO~~ any ~~partner, shareholder, member, manager,~~  
6 ~~officer, director, agent or employee~~ OWNER of the firm. THIS PARAGRAPH  
7 DOES NOT APPLY TO A SUSPENSION FOR NONREGISTRATION PURSUANT TO SECTION  
8 32-741.01.

9 ~~2. The cancellation, revocation, suspension or refusal to renew the~~  
10 ~~authority of the firm or any Arizona partner, shareholder, member,~~  
11 ~~manager, officer, director, agent or employee to practice public~~  
12 ~~accounting in any jurisdiction for any cause other than failure to pay a~~  
13 ~~registration fee in the jurisdiction.~~

14 ~~3.~~ 2. The failure to comply with section 32-731, subsection E.

15 ~~C. A firm may relinquish its registration pending or in lieu of an~~  
16 ~~investigation or a disciplinary proceeding or while under a disciplinary~~  
17 ~~order. The board shall consider a relinquishment tendered by the firm~~  
18 ~~pursuant to this section and may determine whether to accept the~~  
19 ~~relinquishment. The board shall issue an order documenting its decision.~~

20 ~~D. A firm whose registration has been relinquished shall not assume~~  
21 ~~or use the title or designation "certified public accountant" or "public~~  
22 ~~accountant" or the abbreviation "C.P.A.", "CPA", "P.A." or "PA".~~

23 ~~E. A firm whose registration has been relinquished pursuant to this~~  
24 ~~section may apply for reinstatement, and the board may issue a new~~  
25 ~~registration if the firm does all of the following:~~

26 1. ~~Files an application for reinstatement on the form prescribed by~~  
27 ~~the board and pays the registration fee pursuant to section 32-729,~~  
28 ~~paragraph 4.~~

29 2. ~~Demonstrates through substantial evidence presented to the board~~  
30 ~~that the firm is completely rehabilitated with respect to the conduct that~~  
31 ~~was pending at the time of relinquishment. Demonstration of~~  
32 ~~rehabilitation includes evidence of the following:~~

33 (a) ~~The firm or any partner of the firm has not engaged in any~~  
34 ~~conduct during the relinquishment period that, if the firm or partner of~~  
35 ~~the firm had been registered during that period, would have constituted a~~  
36 ~~basis for revocation or suspension pursuant to section 32-741.~~

37 (b) ~~The firm has addressed or remedied any complaints,~~  
38 ~~investigations or board-ordered requirements that are pending or~~  
39 ~~outstanding at the time of relinquishment.~~

40 (c) ~~Other evidence of rehabilitation that the board deems~~  
41 ~~appropriate.~~

42 3. ~~Meets all of the requirements for registration pursuant to this~~  
43 ~~chapter.~~

44 ~~F. If the board accepts the relinquishment of a registration of a~~  
45 ~~firm, before the relinquishment may take effect, the firm shall submit a~~

1 ~~document that is signed and dated and that is in substantially the~~  
2 ~~following form:~~

3 ~~I, (insert name of registrant acting on behalf of the~~  
4 ~~firm), acknowledge that disciplinary proceedings have been~~  
5 ~~initiated against (insert name of firm) pursuant to title 32,~~  
6 ~~chapter 6, article 3, Arizona Revised Statutes, and the firm~~  
7 ~~relinquishes its right to practice accounting as a certified~~  
8 ~~public accounting firm in the state of Arizona. I understand~~  
9 ~~that if the firm applies for a new registration, it must meet~~  
10 ~~all requirements for registration pursuant to section 32-742,~~  
11 ~~Arizona Revised Statutes. I further understand that, in~~  
12 ~~deciding whether to issue a new registration to the firm, the~~  
13 ~~board will consider all disciplinary actions currently pending~~  
14 ~~against the firm and any other matters it determines to be~~  
15 ~~appropriate.~~

16 ~~Dated this \_\_\_\_ day of \_\_\_\_, 20\_\_.~~

17 ~~By: (insert name of firm, name of individual signing on~~  
18 ~~behalf of firm, and that individual's position in firm)~~

19 Sec. 20. Section 32-745, Arizona Revised Statutes, is amended to  
20 read:

21 32-745. Employment of persons by accountants

22 ~~Nothing in~~ This chapter shall be construed as preventing **DOES NOT**  
23 **PREVENT** a person from being employed by a certified public accountant, ~~a~~  
24 ~~public accountant, OR a partnership FIRM~~ of certified public accountants  
25 ~~or a partnership of public accountants~~ if ~~such~~ **THE** employed person does  
26 not sign reports or assume any responsibility for the conduct of ~~his~~ **THE**  
27 employer's professional practice.

28 Sec. 21. Section 32-747, Arizona Revised Statutes, is amended to  
29 read:

30 32-747. CPA designation; title; use; unlawful use;  
31 classification

32 A. ~~An individual who has received from the board a certificate to~~  
33 ~~practice as a certified public accountant or as a public accountant issued~~  
34 ~~under the laws of the state or who is a~~ **A REGISTRANT OR AN INDIVIDUAL OR**  
35 **FIRM THAT QUALIFIES FOR THE** limited reciprocity privilege ~~holder~~  
36 section 32-725 shall be known as a ~~"certified public accountant"~~ or  
37 ~~"public accountant", in accordance with the certificate or the privilege~~  
38 **CERTIFIED PUBLIC ACCOUNTING FIRM** and may also use the abbreviation  
39 ~~"C.P.A.", "CPA", "P.A." or "PA", in accordance with the certificate or the~~  
40 ~~privilege~~ **CPA DESIGNATION** unless the status of the ~~certificate~~ **REGISTRANT,**  
41 **INDIVIDUAL OR FIRM** is canceled, expired, suspended, relinquished or  
42 revoked. ~~No other individual or firm shall assume or use any title,~~  
43 ~~designation or abbreviation or any other title, designation, sign, card or~~  
44 ~~device in this state tending to indicate that the individual or firm using~~

1 ~~it is authorized to practice public accounting or is a certified public~~  
 2 ~~accountant or a public accountant.~~

3 B. ~~No AN individual or firm shall~~ when referring to accounting or  
 4 accounting practices SHALL NOT assume or use the ~~title or CPA designation~~  
 5 ~~"chartered accountant", "certified accountant", "enrolled accountant",~~  
 6 ~~"registered accountant", "licensed accountant", "certified tax~~  
 7 ~~accountant", "certified tax consultant" or any other title or designation~~  
 8 ~~likely or intended to be confused with "certified public accountant" or~~  
 9 ~~"public accountant" unless the individual or firm has received from the~~  
 10 ~~board a certificate to practice as a certified public accountant or as a~~  
 11 ~~public accountant issued under the laws of this state, the individual is a~~  
 12 ~~limited reciprocity privilege holder under section 32-725 or the~~  
 13 ~~partnership, corporation or other entity is permitted to practice~~  
 14 ~~accounting in this state pursuant to section 32-725, subsection G. No~~  
 15 ~~individual or firm shall assume or use any of the abbreviations "C.A.",~~  
 16 ~~"E.A.", "R.A.", "C.T.A.", "C.T.C.", "L.A." or similar abbreviations likely~~  
 17 ~~or intended to be confused with "C.P.A.", "CPA", "P.A." or "PA". An~~  
 18 ~~individual who is qualified as a certified public accountant in this state~~  
 19 ~~and who also holds a comparable title under the laws of another country~~  
 20 ~~may use the title in conjunction with the title "certified public~~  
 21 ~~accountant", "C.P.A." or "CPA", and an individual enrolled to practice~~  
 22 ~~before the internal revenue service and recognized as an enrolled agent~~  
 23 ~~may use the abbreviation "E.A." THE INDIVIDUAL OR FIRM IS QUALIFIED~~  
 24 ~~PURSUANT TO SUBSECTION A OF THIS SECTION.~~

25 C. This section does not apply to or affect or limit the right to  
 26 continuous use of a ~~partnership FIRM~~ name, or a modification of a  
 27 ~~partnership FIRM~~ name, by successor firms formed by the remaining ~~partner~~  
 28 ~~OWNER~~ or ~~partners OWNERS~~ or added ~~partner OWNER~~ or ~~partners OWNERS~~ even  
 29 though the individuals whose names are included in the ~~partnership FIRM~~  
 30 name are not ~~partners OWNERS~~, but the successor firm shall conform to all  
 31 other provisions of this chapter. This section does not apply to or  
 32 affect or limit the right to continuous use of a professional  
 33 corporation's name as provided pursuant to this chapter or title 10,  
 34 chapter 20 or a professional limited liability company's name pursuant to  
 35 this chapter or title 29, chapter 4.

36 ~~D. No corporation or professional limited liability company shall~~  
 37 ~~be permitted to practice public accounting in this state, except that this~~  
 38 ~~subsection does not apply to a professional corporation incorporated under~~  
 39 ~~the laws of this state or to a professional limited liability company,~~  
 40 ~~either of which is properly qualified to do business within this state and~~  
 41 ~~is otherwise qualified to practice accounting under this chapter.~~

42 ~~E. If an individual violates this chapter, or represents himself to~~  
 43 ~~the public as having received a certificate or registration to practice~~  
 44 ~~after a certificate or registration has been revoked or suspended, the~~  
 45 ~~individual is guilty of a class 2 misdemeanor unless another~~



1 ~~classification is specifically prescribed in this chapter. Each day an~~  
2 ~~offense is committed constitutes a separate offense.~~

3 ~~F.~~ D. The displaying or uttering by ~~an individual or firm~~ A  
4 REGISTRANT OR AN INDIVIDUAL OR FIRM THAT QUALIFIES FOR THE LIMITED  
5 RECIPROcity PRIVILEGE UNDER SECTION 32-725 of any card, sign,  
6 advertisement or other printed, engraved or written instrument or device  
7 bearing ~~an individual's or firm's~~ A name and intended to be confused with  
8 the words ~~"certified public accountant" or "public accountant" or an~~  
9 ~~abbreviation of either shall be~~ CPA DESIGNATION IS prima facie evidence in  
10 a prosecution, proceeding or hearing brought under this section that the  
11 ~~individual or firm whose name is~~ REGISTRANT, INDIVIDUAL OR FIRM so  
12 displayed caused or procured the displaying or uttering of the card, sign,  
13 advertisement or other printed, engraved or written instrument or device.

14 E. A FIRM MAY NOT REFER TO ITSELF AS A CPA FIRM UNLESS IT HAS A  
15 SIMPLE MAJORITY OF THE OWNERSHIP IN TERMS OF DIRECT AND INDIRECT FINANCIAL  
16 INTERESTS AND VOTING RIGHTS THAT BELONG TO HOLDERS IN GOOD STANDING OF  
17 CERTIFICATES OR LICENSES AS CERTIFIED PUBLIC ACCOUNTANTS IN ANY  
18 JURISDICTION.

19 Sec. 22. Repeal

20 Section 32-747.01, Arizona Revised Statutes, is repealed.

21 Sec. 23. Title 32, chapter 6, article 3, Arizona Revised Statutes,  
22 is amended by adding section 32-748, to read:

23 32-748. Board review; executive director's actions

24 A PERSON WHO IS AGGRIEVED BY AN ACTION TAKEN BY THE EXECUTIVE  
25 DIRECTOR OF THE BOARD PURSUANT TO SECTION 32-703, SUBSECTION B, PARAGRAPH  
26 14 MAY REQUEST THAT THE BOARD REVIEW THE ACTION. THE PERSON SHALL FILE  
27 WITH THE BOARD A WRITTEN REQUEST WITHIN THIRTY DAYS AFTER THE DATE OF THE  
28 LETTER INFORMING THE PERSON OF THE EXECUTIVE DIRECTOR'S ACTION. AT THE  
29 NEXT REGULAR BOARD MEETING, THE BOARD SHALL REVIEW THE EXECUTIVE  
30 DIRECTOR'S ACTION AND SHALL APPROVE, MODIFY OR REJECT THE ACTION.

31 Sec. 24. Section 32-749, Arizona Revised Statutes, is amended to  
32 read:

33 32-749. Confidential nature of information acquired by  
34 accountants; privilege; conditions for disclosure;  
35 public records; exceptions

36 A. Certified public accountants ~~and public accountants~~ practicing  
37 in this state shall not be required to divulge, nor shall they voluntarily  
38 divulge, client records or information ~~which~~ they have received by reason  
39 of the confidential nature of their employment. Information derived from  
40 or as a result of ~~such~~ A professional source shall be kept confidential as  
41 provided in this section, but this section ~~shall not be construed as~~  
42 ~~modifying, changing or affecting~~ DOES NOT MODIFY, CHANGE OR AFFECT the  
43 criminal or bankruptcy laws of this state or the United States, ~~nor shall~~  
44 ~~it be construed to~~ OR limit the authority of this state or any agency of

1 this state to subpoena and use the information in connection with any  
2 investigation, public hearing or other proceeding.

3 B. The board shall not require a registrant to disclose taxpayer  
4 information protected from disclosure by section 42-2069 or section 43-381  
5 except as provided by those sections.

6 C. This section and section 32-744 do not prohibit the disclosure  
7 of information for:

8 1. Compliance with ethical investigations or practice monitoring  
9 programs conducted by the board or private professional organizations  
10 pursuant to programs preapproved by the board. These programs include,  
11 but are not limited to, quality and peer reviews. The scope of quality  
12 and peer reviews may include subsequent, remedial or corrective actions.  
13 Disclosure of information under this paragraph shall not destroy its  
14 confidentiality and privilege nor relieve any registrant of the obligation  
15 of confidentiality. The registrants to whom the information is provided  
16 shall be bound by this section.

17 2. Access by the board or its duly authorized agents or employees  
18 during business hours to examine and copy any documents, reports, records  
19 or other physical evidence of any person being investigated by the board  
20 on its own motion or as the result of a complaint received, if the  
21 documents, reports, records or evidence relates to the competence or  
22 professional conduct of the registrant who is being investigated.

23 D. Records the board maintains in exercising its statutory duties  
24 are presumed to be public records pursuant to title 39, chapter 1, article  
25 2 and are generally accessible for inspection and copying. Exceptions to  
26 the public records presumption include investigations of registrants. The  
27 board shall treat as confidential information the complaint, the  
28 investigation report, the testimony and documents submitted in support of  
29 the complaint or gathered in the investigation, including information  
30 obtained pursuant to section 32-721, and any correspondence related to the  
31 complaint or investigation. After the initial analysis under section  
32 32-742.01, if the board opens an investigation file on a complaint, the  
33 details and records of the complaint and investigation shall remain  
34 confidential. However the fact that a complaint or investigation is  
35 pending and the nature of the complaint shall be public. The board shall  
36 not disclose this confidential information to any person except law  
37 enforcement authorities and, to the extent deemed necessary to conduct the  
38 investigation, the subject of the investigation, persons whose complaints  
39 are being investigated and witnesses questioned in the course of the  
40 investigation. Except for client records or information and any  
41 information from which the client or the client's property may be  
42 identified, the information made confidential under this subsection  
43 becomes public record if the board institutes civil enforcement or  
44 disciplinary proceedings or issues a consent order in lieu of disciplinary  
45 proceedings. If the board dismisses the matter with no disciplinary

1 action, the board may disclose the information relating to the matter only  
2 with the consent of the registrant or entity under investigation.

3 Sec. 25. Section 41-725, Arizona Revised Statutes, is amended to  
4 read:

5 41-725. Comprehensive database of receipts and expenditures  
6 of state monies; local reporting; definition

7 A. The department shall establish and maintain an official internet  
8 website that is electronically searchable by the public at no cost and  
9 that contains a comprehensive database of receipts and expenditures of  
10 state monies. The database shall include the information as prescribed in  
11 the comprehensive annual financial report of a budget unit that has been  
12 made by a certified public accountant ~~or public accountant~~ who is  
13 currently ~~licensed~~ CERTIFIED by the Arizona state board of accountancy or  
14 who has a limited reciprocity privilege pursuant to section 32-725 and who  
15 is not an employee of the department. The report shall be made in  
16 accordance with generally accepted auditing standards and shall contain  
17 financial statements that are in conformity with generally accepted  
18 accounting principles. If the department has a comprehensive annual  
19 financial report of a budget unit that has been presented with a  
20 certificate of achievement for excellence in financial reporting by the  
21 governmental finance officers association, the department may post such a  
22 financial report to satisfy the requirements of this subsection.

23 B. The department must present information in the database in a  
24 manner that is intuitive to members of the general public, including  
25 graphical representations. The database must allow users to:

26 1. Search and aggregate payments by individual budget units and  
27 programs.

28 2. Search and aggregate payments by individual vendors, including  
29 the total amount of state funding awarded by all budget units to  
30 individual vendors.

31 3. Download information yielded by a search of the database.

32 4. Access electronic versions of contracts that relate to  
33 expenditures.

34 C. The database shall include the following information:

35 1. Annual receipts of revenues, including:

36 (a) Receipts or deposits by each state budget unit into funds  
37 established in the state treasury.

38 (b) Taxes.

39 (c) Earnings by each budget unit, including amounts collected for  
40 merchandise sold, services performed and licenses, certifications and  
41 permits issued.

42 (d) Revenue from the use of publicly owned money or property,  
43 including leases and licenses.

44 (e) Gifts, donations and grants received, including amounts  
45 received from the federal government.

- 1 (f) Any other type of public revenue, however denominated or  
2 derived, deposited into the state treasury.
- 3 2. Annual expenditures and disbursements of state revenues by each  
4 state budget unit from funds established in the state treasury, as  
5 applicable, including:
- 6 (a) Bond payments, debt service and redemption charges and fees.  
7 (b) Contractual services and cooperative agreements.  
8 (c) Commodities.  
9 (d) Capital outlay.  
10 (e) Revenue sharing and other aid to other levels of government,  
11 including tribal governments.  
12 (f) Any other expenditure or disbursement of state revenue from the  
13 state treasury, however denominated or structured.
- 14 D. Expenditure data shall list:
- 15 1. The manner of payment, including check or warrant or credit,  
16 debit or other purchase card.  
17 2. The funding source, including categorical codes and the state  
18 accounts the expenditure is appropriated from.  
19 3. A standardized descriptive title of the type and purpose of the  
20 transaction.  
21 4. The date and amount of each payment.  
22 5. The state agency or budget unit making the payment.  
23 6. The name of the person or entity receiving the payment,  
24 including to the extent practicable a parent entity of the recipient if  
25 the recipient is owned by another entity.  
26 7. The primary location of performance under the contract,  
27 including the county, city or town and legislative district.
- 28 E. The database shall not include:
- 29 1. Tax payment or refund data that include confidential taxpayer  
30 information.  
31 2. Data relating to payments of state assistance to individual  
32 recipients.  
33 3. Payees' addresses or telephone numbers, but the department may  
34 allow public access in the database to information identifying the county  
35 in which the payee is located.  
36 4. Work product in anticipation of litigation or information  
37 subject to attorney-client privilege.  
38 5. Any other information that is designated by law as confidential  
39 or preapproved as confidential by the department pursuant to rule. The  
40 department and any officer or employee of the department:  
41 (a) May rely on a determination made by a budget unit regarding  
42 confidentiality of information relating to the budget unit's expenditures.  
43 (b) Are immune from civil liability for posting confidential  
44 information under this section if the posting is in reliance on the budget  
45 unit's determination relating to confidentiality.

1 F. Each budget unit shall cooperate with the department as  
2 necessary to implement and administer this section. Each budget unit  
3 shall provide to the department any additional data in a manner and  
4 schedule prescribed by the department that are required to be included in  
5 the database. The database shall be updated within thirty days after the  
6 end of each fiscal year and may be updated as new data become available.  
7 The data shall be retained in the database for at least ten full fiscal  
8 years.

9 G. The governor, secretary of state, state treasurer and  
10 legislature shall include a link to the database under this section in  
11 their individual official websites. Each budget unit that maintains a  
12 generally accessible internet website, or for which a generally accessible  
13 website is maintained, shall include a link on that website to the  
14 database under this section.

15 H. Each local government shall establish and maintain an official  
16 internet website that is accessible to the public at no cost and that  
17 contains a comprehensive reporting of all revenues and expenditures over  
18 five thousand dollars of local monies in as nearly as practicable the same  
19 manner and consistent with subsections B through E of this section. The  
20 database shall include the information as prescribed in the comprehensive  
21 annual financial report of a budget unit that has been made by a certified  
22 public accountant ~~or public accountant~~ who is currently ~~licensed~~ CERTIFIED  
23 by the Arizona state board of accountancy or who has a limited reciprocity  
24 privilege pursuant to section 32-725 and who is not an employee of the  
25 local government. The report shall be made in accordance with generally  
26 accepted auditing standards and shall contain financial statements that  
27 are in conformity with generally accepted accounting principles. If a  
28 local government has a comprehensive annual financial report of a budget  
29 unit that has been presented with a certificate of achievement for  
30 excellence in financial reporting by the governmental finance officers  
31 association, the local government may post such a financial report to  
32 satisfy the requirements of this subsection. A link to this data shall be  
33 displayed in a prominent place on the local government's official internet  
34 website or on a website of an association of cities and towns for cities  
35 and towns that do not have official websites and on the department's  
36 official internet website as prescribed in this section. The data shall  
37 be updated no less frequently than every three months and may be updated  
38 as new data becomes available. The data shall be retained and accessible  
39 online for at least three fiscal years.

40 I. For the purposes of this section "local government" means:

- 41 1. A county, city or town with a population of more than  
42 twenty-five hundred persons.
- 43 2. Any community college district and school district having a  
44 student count of more than six hundred pupils.
- 45 3. A state university.

1           Sec. 26. Section 41-1279.07, Arizona Revised Statutes, is amended  
2 to read:

3           41-1279.07. Uniform expenditure reporting system; reports by  
4                                   counties, community college districts, cities  
5                                   and towns; certification and attestation;  
6                                   assistance by auditor general; violation;  
7                                   classification

8           A. The auditor general shall prescribe a uniform expenditure  
9 reporting system for all political subdivisions subject to the  
10 constitutional expenditure limitations prescribed by article IX, sections  
11 20 and 21, Constitution of Arizona. The system shall include:

12           1. For counties:

13           (a) An annual expenditure limitation report that includes at least  
14 the following information:

15           (i) The expenditure limitation established for the reporting fiscal  
16 year by the economic estimates commission.

17           (ii) Total expenditures, by fund, for the reporting fiscal year.

18           (iii) Total exclusions from local revenues, as defined by article  
19 IX, section 20, Constitution of Arizona, by fund, for the reporting fiscal  
20 year.

21           (iv) Total amounts, by fund, of expenditures subject to the  
22 expenditure limitation for the reporting fiscal year.

23           (b) Annual financial statements prepared in accordance with  
24 generally accepted accounting principles.

25           (c) A reconciliation of the total expenditures reported within the  
26 financial statements to the total expenditures stated within the  
27 expenditure limitation report.

28           2. For community college districts:

29           (a) An annual budgeted expenditure limitation report that includes  
30 at least the following information:

31           (i) The expenditure limitation established for the reporting fiscal  
32 year by the economic estimates commission.

33           (ii) Total budgeted expenditures, by fund, for the reporting fiscal  
34 year.

35           (iii) Total exclusions from local revenues, as defined by article  
36 IX, section 21, Constitution of Arizona, by fund, for the reporting fiscal  
37 year.

38           (iv) Total amounts, by fund, of budgeted expenditures subject to  
39 the expenditure limitation for the reporting fiscal year.

40           (b) Annual financial statements prepared in accordance with  
41 generally accepted accounting principles.

42           (c) A reconciliation of the total expenditures reported within the  
43 financial statements to the total expenditures reported within the  
44 expenditure limitation report.

1           3. For cities and towns:

2           (a) An annual expenditure limitation report that includes at least  
3 the following information:

4           (i) The expenditure limitation established for the reporting fiscal  
5 year by the economic estimates commission and, if applicable, the voter  
6 approved alternative expenditure limitation.

7           (ii) Total expenditures, by fund, for the reporting fiscal year.

8           (iii) Total exclusions from local revenues, as defined by article  
9 IX, section 20, Constitution of Arizona, by fund, for the reporting fiscal  
10 year or, if applicable, the total exclusions from the voter approved  
11 alternative expenditure limitation.

12           (iv) Total amounts, by fund, of expenditures subject to the  
13 expenditure limitation for the reporting fiscal year.

14           (b) Financial statements prepared in accordance with generally  
15 accepted accounting principles.

16           (c) A reconciliation of the total expenditures reported within the  
17 financial statements to the total expenditures reported within the  
18 expenditure limitation report.

19           B. The auditor general shall provide detailed instructions for  
20 completion and submission of the reports described in subsection A of this  
21 section. The auditor general shall prescribe definitions for terms  
22 utilized in and the form of the reports described in subsection A of this  
23 section. The reports described in subsection A of this section are  
24 required of counties and community college districts beginning with fiscal  
25 year 1981-1982. The reports described in subsection A of this section are  
26 required of cities and towns beginning with the fiscal year the political  
27 subdivision is subject to the expenditure limitation. The annual  
28 reporting requirements also apply to political subdivisions subject to an  
29 alternative expenditure limitation enacted pursuant to article IX, section  
30 20, subsection (9), Constitution of Arizona.

31           C. The reports described in subsection A of this section must be  
32 filed with the auditor general within nine months after the close of each  
33 fiscal year.

34           D. The auditor general or a certified public accountant ~~or public~~  
35 ~~accountant~~ performing the annual audit required pursuant to sections  
36 41-1279.21 and 9-481 shall attest to the expenditure limitation reports  
37 and financial statements for counties, community college districts and  
38 cities. The certified public accountant ~~or public accountant~~ performing  
39 the annual or biennial audit required pursuant to section 9-481 shall  
40 attest to the expenditure limitation reports and financial statements for  
41 towns.

42           E. Each political subdivision shall provide to the auditor general  
43 by July 31 each year the name of the chief fiscal officer designated by  
44 the governing board of the political subdivision to submit the current  
45 fiscal year's expenditure limitation report. The political subdivision

1 shall notify the auditor general of any changes of individuals designated  
2 to file the required reports. The designated chief fiscal officer shall  
3 certify to the accuracy of the annual expenditure limitation report.

4 F. The auditor general shall prescribe forms for the uniform  
5 reporting system and may provide assistance to individuals, certified  
6 public accountants or public accountants responsible for attesting to the  
7 expenditure limitation reports and financial statements.

8 G. A chief fiscal officer, designated pursuant to subsection E of  
9 this section, who subsequent to July 1, 1983 refuses to file the reports  
10 required by this section within the prescribed time periods or who  
11 intentionally files erroneous reports is guilty of a class 1 misdemeanor.  
12 A city or town exceeding the expenditure limitation prescribed or  
13 authorized pursuant to article IX, section 20, Constitution of Arizona,  
14 for any fiscal year, without authorization pursuant to such section, shall  
15 have the amount specified in subsection H of this section of its  
16 allocations of the state income tax, distributed pursuant to section  
17 43-206, withheld and redistributed to other cities and towns in the same  
18 manner as determined pursuant to that section, except that the population  
19 of the city or town exceeding the expenditure limitation shall not be  
20 included in the computation, and the city or town exceeding the  
21 expenditure limitation shall not be entitled to share in the  
22 redistribution. A community college district exceeding the expenditure  
23 limitation prescribed pursuant to article IX, section 21, Constitution of  
24 Arizona, for any fiscal year, without authorization pursuant to such  
25 section or section 15-1471, shall have the amount specified in subsection  
26 H of this section of its allocations of state aid, distributed pursuant to  
27 section 15-1466, withheld.

28 H. The auditor general shall hold a hearing to determine if any  
29 political subdivision has exceeded the expenditure limitations prescribed  
30 pursuant to article IX, sections 20 and 21, Constitution of Arizona. If a  
31 county has exceeded the expenditure limitations prescribed pursuant to  
32 article IX, section 20, Constitution of Arizona, without authorization  
33 pursuant to that section, the auditor general shall notify the board of  
34 supervisors of the county to reduce the allowable levy of primary property  
35 taxes of the county pursuant to section 42-17051, subsection C. If any  
36 political subdivision other than a county has exceeded the expenditure  
37 limitations prescribed pursuant to article IX, sections 20 and 21,  
38 Constitution of Arizona, without authorization, the auditor general shall  
39 notify the state treasurer to withhold a portion of the political  
40 subdivision's allocations of the revenues described in subsection G of  
41 this section for the fiscal year subsequent to the auditor general's  
42 hearing as follows:

43 1. If the excess expenditures are less than five percent of the  
44 limitation, an amount equal to the excess expenditures.



1           2. If the excess expenditures are equal to or greater than five  
2 percent but less than ten percent of the limitation, or are less than five  
3 percent of the limitation but it is at least the second consecutive  
4 instance of excess expenditures, an amount equal to triple the excess  
5 expenditures.

6           3. If the excess expenditures are equal to or greater than ten  
7 percent of the limitation, an amount equal to five times the excess  
8 expenditures or one-third of the allocation of the revenues described in  
9 subsection G of this section, whichever is less.

10          I. A county, city or town is not deemed to have exceeded the  
11 expenditure limitation if the county, city or town makes expenditures for  
12 capital improvements from utility revenues pursuant to title 9, chapter 5,  
13 article 3 or from excise taxes levied by the county, city or town for a  
14 specific purpose and the county, city or town repays the expenditure from  
15 the proceeds of bonds or other lawful long-term obligations before the  
16 hearing required by subsection H of this section.